Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$1.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr7.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,293 Friday July 24 1987 D 8523 A

British Airports and the challenge of a new era, Page 44

World News

French corn growers set to challenge US subsidies

French corn growers are mounting a determined legal challenge to US domestic farm subsidies that could spark a new trans-Atlantic trade war. They claim the US offers unfair support to its corn gluten producers. Page 28.

Violence in India

Troops patrolled the strife-torn north Indian city of Meerut with orders to shoot troublemakers on sight in an effort to curb retaliatory violence after eight Moslems were killed by Hindus.

Dhaka street battle

Police shot dead eight people and nearly 200 were injured in street battles on the second day of an opposition-led general strike in Bangladesh. Page 3.

South Korea floods

The South Korean Government issued an unprecedented mobilisation order for the armed forces to help the nation recover from floods triggered by record rainfall. At least 95 people have died and flood damage was estimated at $22m.

Strike in Beirut

Moslem and Christians put aside political and religious differences to strike against poverty and inflation in Lebanon. The general strike closed schools, banks, shops, public and private institutions and Beirut airport. The inflation rate is more than 200 per cent a year.

Uganda executions

Two soldiers from the National Resistance Army were executed by a firing squad for killing a civilian, Radio Uganda reported.

Delors in Belgrade

President of the European Commission Jacques Delors arrived in Belgrade for talks on expanding Yugoslavia's exports to the EC.

Aquino sets elections

Philippines President Corazon Aquino set local elections for mayors and governors for Nov 9. The elections will complete the process of restoring democracy in the country.

ANC funeral

Police imposed emergency restrictions on the funeral of an African National Congress official and limited the number of mourners to 200. The funeral of Peter Sello Motau was ordered to take place Friday, not on Sunday as the family had planned.

Titanic salvage

Deep-sea divers tested a mini submarine and robot in preparation for salvage work on the Titanic, scheduled to start today. The divers are hoping to find a strongbox containing jewels. The luxury liner sank in 1912 drowning 1,500 people.

Priests kidnapped

Three Jesuit priests working in southern Sudan were reported kidnapped by an unknown group.

Tokyo power failure

People were trapped in elevators and high-speed bullet trains when three generators tripped due to an overload. Two million households were affected and parts of Tokyo were brought to a standstill.

Aircraft mishap

A Scandinavian Airlines DC-10 veered off a taxiway at Bangkok's international airport sinking its nosewheel into soft ground. All 151 passengers and 15 crew were evacuated without injury.

Iran earthquake

A moderate earthquake, measuring 4.2 on the Richter scale, shook the city of Tabriz in northwest Iran. The Islamic Republic newsagency did not report casualties or damage.

Business Summary

Losses at BankAm worse than expected

BANKAMERICA, struggling West Coast banking giant which has been seeking new capital in Japan, showed a larger than expected loss of $1.14bn, or $ 7.40 a share, in the second quarter but says its net credit losses and non-performing loans are starting to decline. Page 21

FORD MOTOR, second biggest US motor manufacturer, increased second quarter net income by 39 per cent to $1.5bn and its earnings per share of $5.61 beat the previous record $5.73 earned in the first quarter. Page 21. General Motors, Ford's larger rival, reported a smaller than expected 4 per cent fall in its second quarter net income to $980m.

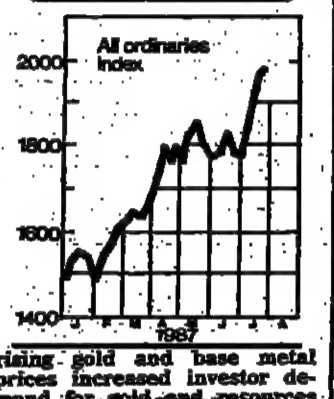
WALL STREET: the Dow Jones industrial average closed up 1.76 at 2471.94. Page 44

TOKYO: Strong demand for consumer stocks led share prices higher for the first time in five sessions. The Nikkei average closed up 333.78 at 23,036.52. Page 44

LONDON: Sterling's steady performance helped equities withstand further selling pressure. Gilts were steady. The FT-SE 100 index closed down 4.3 at 2,340.3 and the FT Ordinary index gained 3.7 to 1,836.1. Page 44

AUSTRALIAN equities reached new peaks in heavy trading as rising gold and base metal prices increased investor demand for gold and resources stocks. The All Ordinaries index gained 23.8 to close at 1,985.3. Page 44

Australia



GOLD remained unchanged on the London bullion market at $454.75. In Zurich it fell to $454.45 ($455.25). Page 32

DOLLAR closed in New York at Y151.25 (Y152.30); to DM 1.8600 (DM 1.8630); to FFr 6.1880 (FFr 6.1975); and to SFr 1.5420 (SFr 1.5450). On Bank of England figures the dollar's exchange rate index fell to 103.7 from 104.0. Page 33

STERLING rose in London to $1.6045 ($1.5945); to DM 2.9750 (DM 2.97); to FFr 9.9050 (FFr 9.8825); and to SFr 2.3650 (SFr 2.4625); but fell to Y241.75 (Y242.75). It closed in New York at $1.6025. The pound's exchange rate index rose 0.1 to 72.7. Page 33

NORSK HYDRO of Norway more than doubled its second-quarter pre-tax profits to NKr 1.09bn ($160m), helped by strong results at its agriculture and petrochemical divisions. Page 23

SALOMON INC, Wall Street's largest securities firm, suffered a collapse in second quarter profits because of "unprecedented conditions" in bond markets. Page 21

WALT DISNEY has turned in another set of record results thanks to good performances by its theme park, film and consumer products divisions, although the pace of growth slowed slightly from the previous quarter. Page 21

PENNZOIL: Chances of its $10bn plus legal battle with Texaco, embattled US oil giant, being decided by the US Supreme Court have increased with a decision by the SEC that Pennzoil had violated federal securities laws. Page 21

ELDERS IXL, Australian-based brewing, pastoral and finance conglomerate, and Goodman Fielder, regional food giant with interests in Australia and New Zealand, are expected to unwind their 15 per cent cross-shareholdings under an arrangement announced by Goodman Fielder. Page 22.

Shultz admits he was kept in dark over Contra affair

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR GEORGE SHULTZ, the US Secretary of State, was forced to concede yesterday that other top Administration officials including, by implication, President Ronald Reagan, had kept him in the dark about key events in the Iran/Contra affair.

In testimony before the Congressional committee investigating the scandal, Mr Shultz, a proud man who prizes his honesty, bluntly laid claim to being President Reagan's top foreign policy adviser and spokesman. But he was then forced to admit that in two vital areas of American foreign policy, the Middle East and Central America, he was not told of US initiatives which have damaged US credibility and cast a shadow over his management of US relations with America's allies.

The Secretary of State, who has previously claimed that his knowledge of the decisions authorised by the President and co-ordinated by Admiral John Poindexter, the then National Security Adviser and by his assistant, Lt.-Col. Oliver North, to sell arms secretly to Iran, was fragmentary, said that he first learnt of the US decision to sell arms directly to Iran from newspaper reports in November last year.

He said that he did not know that the release of the American hostage the Rev. Benjamin Weir from captivity in Lebanon came two days after Israel had sold US weapons to Iran in September 1985.

Showing flashes of anger as he was questioned about his ignorance in hearings which were once again being televised nationally, Mr Shultz said that when he learned many months after the fact that key Iran-Contra middlemen had discussed efforts to release terrorists from a Kuwaiti prison as part of a complex deal to secure the release of American hostages in Lebanon: 'It made me sick to my stomach.'

He claimed that when he briefed President Reagan on this, he had never seen the President so mad. 'His jaw set and his eyes flashed,' Mr Shultz recounted.

On several points the Secretary of State firmly denied claims made by other Reagan Administration officials, notably Mr Poindexter and Col North. He said that he had not, as Mr Poindexter claims, told the then National Security Adviser he did not want to be informed about the covert operations.

Seeking to discredit charges made in the Tower Commission report into the Iran arms sale controversy earlier this year, Mr Shultz said that he had not distanced himself from the policymaking process on Iran.

He said he told Mr Poindexter that he wanted to be 'informed of the things I need to know' to carry out his responsibilities as Secretary of State...'That does not mean I just bowed out in so far as major things in our foreign policy is concerned. To assume that I should not be informed of things like that is ridiculous.'

Refuting claims by Col North that he knew in detail of Col North's allegedly illegal efforts to support the Contra rebels in Nicaragua when Congress had cut off funding for direct US military supplies, Mr Shultz said: 'I hardly know Col North.'

George Shultz: first learnt of arms-to-Iran decision through newspaper reports

Mr Shultz did confirm, however, that he and Mr Caspar Weinberger, the US Defence Secretary, who have often been involved in fierce policy disputes, vigorously but ultimately ineffectually opposed plans to sell arms to Iran in December 1985 in a meeting with the President in the White House living quarters.

Mr Shultz's testimony will reinforce the conviction of both Republican and Democratic critics of the Administration's arms sales on Capitol Hill that they are delving into a fearfully bungled operation.

Soviet plan for INF elimination welcomed by West

By William Dullforce in Geneva

THE SOVIET UNION yesterday formally tabled in Geneva its new proposal for the worldwide elimination of US and Soviet intermediate range nuclear forces (INF). With US co-operation an agreement could be reached "in the nearest future", Mr Alexei Obukhov, the chief Soviet negotiator, said.

Completion of an INF treaty, both sides said earlier, could open the way for a summit meeting later this year between President Ronald Reagan and Mr Mikhail Gorbachev.

The proposal has been given a cautious welcome in the US, Europe and Asia. Mrs Margaret Thatcher, the British Prime Minister, said yesterday that her government would "warmly welcome" the Soviet offer, provided it was without conditions.

Sir Geoffrey Howe, the British Foreign Secretary, said the proposal looked like an acceptance of that put forward by Nato. A decisive political impetus was now needed to achieve an arms control agreement, he said.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, hailed Mr Gorbachev's latest offer as "a substantial step forward." He said the Soviet plan would greatly assistverification of any missile accord.

Mr Yasuhiro Nakasone, the Japanese Prime Minister, whose government had expressed fears about the earlier plan by the Soviet Union to retain 100 warheads in Soviet Asia, also reacted favourably.

However, one major obstacle to a speedy conclusion in Geneva could be the continuing Soviet insistence that the US-controlled nuclear warheads on 72 West German Pershing 1A missiles must form part of the deal. The US has argued that a bilateral treaty could not cover third-country weapon systems.

Both Mr Obukhov and Mr Yuli Vorontsov, the Deputy Foreign Minister, speaking in Moscow, emphasised yesterday that the new proposal made no concession on that point.

However, by dropping the demand that both superpowers should keep 100 warheads on their own territories outside Europe, the latest Soviet move opens the way for the US in turn to abandon some of its conditions.

Speaking in Washington before Mr Vorontsov's statement, Mr Frank Carlucci, President Reagan's National Security Adviser, insisted that the US would not accept Moscow's demand that the Pershing 1As be scrapped.

Continued on Page 20
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Gandhi visit expected to seal peace plan for Tamil homeland

BY MERVYN DE SILVA IN COLOMBO

MR RAJIV GANDHI, the Indian Prime Minister, is expected in Sri Lanka before the end of next week to seal a peace agreement with President Junius Jayawardene involving a semi-autonomous homeland in the eastern and nothern provinces of Sri Lanka for the island's minority Tamil population.

President Jayawardene yesterday demanded and won support for the plan from his parliamentary party, which has a five-sixths majority in parliament. This manoeuvre outflanked the Sri Lankan Prime Minister, Mr Ranasinghe Premadasa, who is in Japan and who was not informed of the proposals which have been agreed betweeen the President and the Indian Government.

The 14-point peace plan was taken to Mr Gandhi by Mr J.N. Dixit, the Indian High Commissioner in Colombo, at the weekend. He returned yesterday to tell President Jayawardene that Mr Gandhi wanted Sri Lankan parliamentary approval, which was secured within hours. Mr Dixit is returning to New Delhi today to arrange Mr Gandhi's visit to Colombo, his first to Sri Lanka, to seal a much needed foreign policy triumph.

Rajiv Gandhi: wanted formal backing

Under the peace plan the eastern and northern provinces will be merged into one administrative unit under a governor and chief minister for a trial period of one year. The eastern population, only one-third of whom are Tamil, would then vote in a referendum on whether to continue the arrangement or demerge.

The proposals had split the Sri Lankan cabinet and Mr Premadasa, who complained in Tokyo yesterday that he knew no more than Japanese journalists were telling him, had been expected to object both to merging the northern and eastern provinces in a single Tamil homeland and to negotiating with India over what he regards as an internal problem. However, when he gets home on Saturday he appears to be faced with a fait accompli.

President Jayawardene yesterday threatened the cabinet with a snap general election if his peace settlement plans were undermined. Mr Lalith Athulathmudali, the National Security Minister, who originally opposed the proposals, indicated that opposition had evaporated - at least for the time being - when he told a Colombo Chamber of Commerce meeting yesterday that a peace settlement would be announced soon.

Meanwhile the former Prime Minister, Mrs Sirima Bandaranaike, and opposition parties launched a campaign for general elections by distributing anti-government leaflets in the streets of Colombo.

Iran spells out conciliatory line to end Gulf war

BY ANDREW GOWERS IN LONDON AND ANDREW WHITLEY IN KUWAIT

IRAN SAID yesterday that it would be prepared to co-operate with the UN's efforts to end the Gulf war if France halts arms sales to Iraq and if the US stops its military build-up in the region.

Mr Ali Akbar Velayati, the Iranian Foreign Minister, who was on a visit to Bonn, also reiterated his country's pledge to refrain from attacks on shipping if Iraq does the same.

In a conciliatory message which the Iranian newsagency said had been transmitted to Mr Javier Perez de Cuellar, the UN secretary-general, Mr Velayati urged him as a first step to persuade the US Government to "immediately halt its increased military presence in the Gulf and refrain from supporting Iraqi oil being sold through Kuwait."

He added: "Responsibilities of other countries in arming the Baghdad regime should be taken into consideration, especially that of France which should end its large-scale arms sales to Iraq.

"Success of the secretary general at this crucial juncture of the imposed war will pave the way for resumption of positive and constructive political efforts."

Although Iran has said repeatedly that it cannot accept Monday's UN Security Council resolution calling for an immediate ceasefire between Iran and Iraq, Mr Velayati's statement, and his remarks at a press conference in the West German capital last night, suggest a significant softening of the Iranian line.

They also indicate that Iran is mounting a diplomatic offensive to try and reverse its increasing international isolation. Iranian officials emphasised that Tehran has yet to deliver its formal response to the UN.

Mr Velayati, who was urged yesterday to accept the Security Council resolution by Mr Hans-Dietrich Genscher, his German counterpart, said it contained "certain good points" - such as its condemnation of the use of chemical weapons and of attacks on civilian areas and oil tankers, all of which he said had been initiated by Iraq.

He also stressed that Iran recognised the role of Mr Perez de Cuellar, who was asked by the

Continued on Page 20

Paris approves asset swap between Thomson and GE

BY PAUL BETTS IN PARIS

THE FRENCH Government gave its public approval yesterday to the major asset swap agreement between Thomson, the nationalised French electronics and defence group, and General Electric of the US.

Mr Alain Madelin, the French industry minister, described the deal which will see Thomson take over GE's RCA consumer electronics business and GE acquire Thomson's CGE medical equipment subsidiary as "a good agreement." The French Government, Thomson's principal shareholder, also indicated that it would study the possibility of granting financial support to Thomson to help finance the agreement.

Although the two groups continued yesterday to refuse to disclose the sum involved in the transaction, the agreement is expected to cost Thomson between $500m and $1bn, according to financial analysts.

Mr Alain Gomez, the Thomson chairman, said yesterday that the company would finance part of the deal from its own funds and by additional debt. The French group has also been building up its liquidities after selling recently a 12.5 per cent stake in the French Alcatel telecommunications company for about FFr 800m ($129m).

Although Mr Madelin said earlier this week that the Government no longer intended to advance capital endowment grants to state industrial groups like Thomson or Bull which had now returned to profit, government sources indicated that the Government was likely to give Thomson financial backing to help it complete the agreement.

Mr Madelin hailed yesterday the Thomson-GE deal as "a good agreement for France and Europe because it showed up winning enterprises." He added that the agreement demonstrated that France was not, as some domestic commentators have suggested, on the decline.

The deal which will turn Thomson into one of the world's three largest consumer electronic, brown goods companies along with Philips and Matsushita. French analysts said that Thomson was embarking on a major American adventure in a sluggish market dominated by fierce Japanese competition.

Mr Gomez said that the deal would give Thomson the necessary critical size to compete in the worldwide consumer electronics market. He also said it completed his group's five year reorganisation with businesses concentrated in two core sectors, including defence and professional electronics and consumer goods.

He added that Thomson felt that its CGR medical equipment subsidiary would also be strengthened by coming into the orbit of the much larger medical systems division of GE. Company officials suggested that GE had been attracted by CGR, which has now returned to profit, as a response to the recent association between Philips and Picker in this field. Indeed Philips and Picker have decided to open a joint operation in the US directly challenging GE on its home market.

The deal was negotiated rapidly during the last few weeks after a visit to Paris last month by Mr Jack Welsh, the GE chairman, Mr Gomez disclosed yesterday. The Thomson acquisition of GE's electronic brown goods business follows Thomson's recent acquisition of Thorn-EMI's Ferguson subsidiary for £90m ($144m). It is also the latest in a string of major foreign investments by large French groups during the past 12 months, including the Bull computer group's joint venture with Honeywell and NEC.

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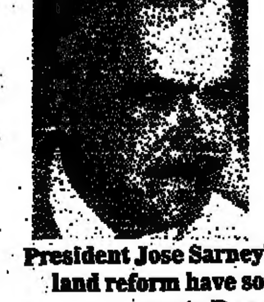


MIGHT IS RIGHT IN BRAZIL'S BATTLE FOR LAND

President Jose Sarney's promises of land reform have so far proved empty, Page 20

EUROPEAN NEWS

Financial Times writers assess the latest offer from Moscow on the abolition of Intermediate Nuclear Forces

Gorbachev launches another missiles offensive

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

ONLY A FEW days ago, Mr Max Kampelman, the chief US arms negotiator, complained in a newspaper article that Soviet foot-dragging had virtually brought the nuclear arms negotiations between Washington and Moscow in Geneva to a halt. The ink was hardly dry on his words when Mr Mikhail Gorbachev dramatically relaunched the negotiations in an interview with an Indonesian newspaper on Wednesday calculated to remove the remaining obstacles to a superpower deal on the elimination of all Soviet and US medium-range nuclear missiles world-wide.

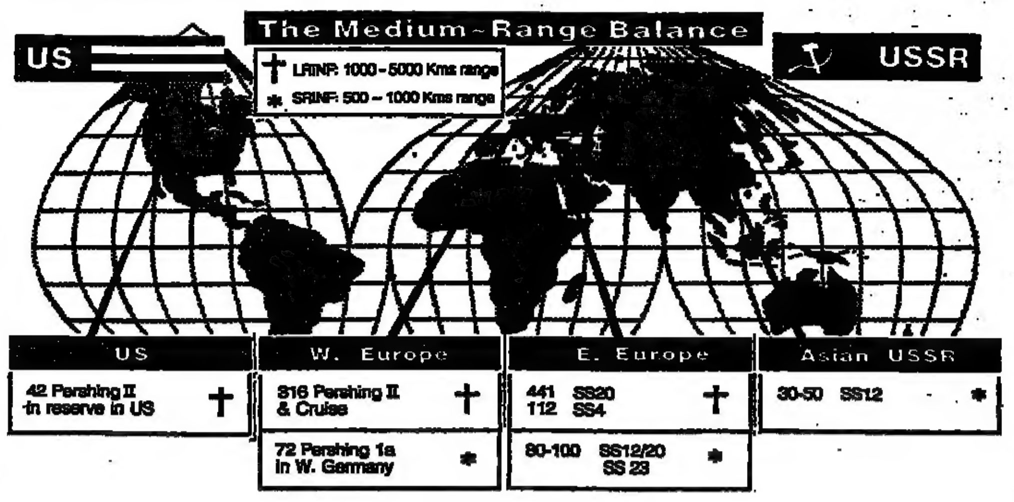
The latest of Mr Gorbachev's carefully timed arms control initiatives, which was formally tabled in Geneva yesterday and which has been cautiously welcomed by the US and its Nato allies pending study of the fine print, appears to indicate that Moscow is genuinely interested in reaching an agreement later this year.

It should open the way to a long-scheduled meeting between the US and Soviet Foreign Ministers, Mr George Shultz and Mr Eduard Shevardnadze, in the early autumn, followed possibly by a full-scale summit between President Ronald Reagan and Mr Gorbachev in Washington before the end of the year.

Though Mr Gorbachev has given the appearance of constantly taking the initiative during the protracted 28-months-long negotiations, the concessions that he has made over the past months are a tribute to the persistence with which the US, with the support of its Nato allies, has stuck to its negotiating position.

After the deep freeze which followed the Reykjavik summit last October, the Soviet leader made his first important move last February when he bowed to the West's insistence that a separate agreement should be reached on the elimination of intermediate nuclear forces (INF) in Europe. Previously, Moscow had linked an agreement in this field to the abandonment by the US of its strategic defence initiative, known as the Star Wars programme.

The Soviet leader's second big concession was made during Mr Shultz's visit to Moscow in April, when he offered to scrap shorter range INF weapons in Europe as well as the longer-range missiles in this category which had previously been the subject of negotiations. However, the Soviet Union still insisted that each side should be allowed to keep 100 INF warheads on its territory, in its own case in Soviet Asia, which upset Japan and other Asian countries who felt threatened by these weapons.



In his latest proposal, again, Mr Gorbachev has done no more than accept the US and Nato position, as expressed at the last Nato Ministerial Council meeting in Reykjavik in June, that all longer-range and shorter-range INF missiles and warheads in both Europe and Asia should be abolished. In other words, it is now accepted by both sides that the so-called "double zero option" should be global, instead of being confined to Europe.

The way thus appears to have been cleared for an agreement under which US and Soviet land-based missiles with a range of 500-5,000 km will be abolished. This includes, in the longer-range category, 441 Soviet triple-warhead SS-20 and 112 single-warhead SS-4 missiles and, on the American side, 316 single-warhead cruise and Pershing 2 missiles deployed in Nato countries in Europe.

The shorter-range INF missiles which would be covered by such an agreement include 130 Soviet SS-12/22 and SS-23 launchers, each with six single-warhead missiles, two-thirds of which are deployed in Europe and one-third in Asia.

The worldwide elimination of all these missiles certainly facilitates verification of any agreement, a matter to which the US has attached the greatest importance. However, as Mr Yuli Vorontsov, the chief Soviet arms negotiator, made only too clear yesterday, there are still other obstacles to an agreement on which Moscow now clearly expects the US to make counter-concessions.

The biggest of these is the continued Soviet demand that the 72 Pershing 1A missiles with a range of 720km, which are owned by West Germany though their warheads remain under US control, should be included in any INF deal. The US and its allies, on the other hand, maintain that third country systems cannot possibly be dealt within bilateral negotiations between the US and the Soviet Union.

It is also a matter of some speculation whether the US, which tabled a draft treaty for 50 per cent reductions in strategic nuclear weapons in Geneva nine weeks ago, will continue to insist that Moscow does likewise before proceeding to conclude an INF agreement.

There are thus some important hurdles to be overcome before signatures are appended to an INF treaty, not to speak of the subsequent problem of obtaining the US Senate's ratification of an agreement. But Mr Gorbachev, by his latest offer, has at least ensured that the negotiators in Geneva are entering the home straight.

Pershing warheads seen as obstacle to signing of treaty

SENIOR SOVIET officials yesterday cited the presence of 72 US nuclear warheads on West German Pershing 1-A missiles as a major obstacle to an accord eliminating all medium-range and shorter-range missiles, Reuter reports from Moscow.

These warheads were one of four issues that must be resolved before a treaty could be signed, the official said.

"What kind of global double zero option would there be if the US left 72 of its warheads behind?" asked Mr Yuli Vorontsov, the Soviet Union's first deputy foreign minister. "This is no joke. The power of each of these warheads is equal to 20 Hiroshimas. That is 72 multiplied by scores of Hiroshimas."

Mr Vorontsov and Marshal Akhromeyev, chief of staff of Soviet armed forces, were briefing reporters in Moscow on the offer by Mr Mikhail Gorbachev, the Soviet leader, to accept the worldwide elimination of all US and Soviet medium-range and shorter-range missiles.

Mr Vorontsov said two months should be long enough for US and Soviet negotiators at arms control talks in Geneva, where Mr Gorbachev's offer was formally presented yesterday, to overcome their differences.

President Ronald Reagan and Mr Gorbachev could then sign the treaty at a summit he said. "The Soviet side has said more than once that, if there is a chance of signing a treaty, it can take place at a meeting of the Soviet and American leaders," he said.

Marshal Akhromeyev said the Soviet Union was adamant that the following four points must be cleared up before a treaty could be signed:

● Elimination of the 72 US warheads on West Germany's Pershing 1-A missiles.

● Genuine destruction of all medium-range missiles, with no option for either side of converting them into other weapons. The US had previously reserved the right to convert Pershing 2s into shorter-range Pershing 1-Bs.

● Observance of the principle of equality when eliminating the missiles. The Kremlin has previously accused the US of demanding excessively large first cuts from Moscow.

● Equal right for both superpowers in verifying that the missiles are being destroyed.

In Washington Mr Frank Carlucci, President Reagan's national security adviser, said the US did not accept Moscow's demand to include West German rockets in negotiations on eliminating medium-range nuclear missiles.

Mr Carlucci was speaking before Soviet officials' call for the scrapping of US-controlled warheads on West German Pershing 1-A missiles as part of a missiles pact.

Asked how the US would respond if Moscow insisted on including the Pershing 1-A missiles, Mr Carlucci said: "These are co-operative systems that have never been on the table before."

Mr Carlucci said that the prospects for a third summit meeting between President Reagan and Mr Gorbachev had been enhanced by the Soviet leader's latest move.

In Bonn Mr Hans-Dietrich Genscher, the West German Foreign Minister, welcomed Mr Gorbachev's proposal.

A Foreign Ministry spokesman said Mr Genscher had described the offer as "a substantial step forward, which will make the question of verification easier to solve."

Japan denies any attempt to sour relations with Soviet Union

BY IAN RODGER IN TOKYO

JAPAN HAS warmly welcomed the proposal by Mr Mikhail Gorbachev to eliminate medium range nuclear missiles in Asia. But officials have dismissed his claim, made in the same interview with an Indonesian newspaper, that "certain forces" in Japan were trying to sour relations between the two countries.

The remark was taken as an allusion to Japan's agreement this week to join the Strategic Defence Initiative research programme, and to renewed Japanese efforts to prevent the transfer of high technology to the Soviet Union following the illegal sale by a Toshiba subsidiary of sophisticated machine tools.

Mr Yasuhiro Nakasone, the Japanese Prime Minister, predicted that the offer by Mr Gorbachev to remove all intermediate range nuclear forces (INF) from its Asian territory would restore the momentum to US-Soviet arms reduction.

Japan has been uncomfortable with the Soviet Union's previous proposal, which would have left 100 warheads in its Asian territory even after eliminating INF in Europe. Also, the US and Japan had rejected Mr Gorbachev's earlier position, linking the Soviet Union's Asian missiles with US forces in the Philippines, South Korea and Japan. In his latest proposal, the offer to remove these remaining 100 warheads was made conditional only on a similar removal from the US mainland.

Speaking during a Diet committee meeting yesterday, Mr Nakasone welcomed especially the Soviet leader's willingness to remove the linkage with US forces in the Philippines, South Korea and Japan. He said this shift showed that he had been right in supporting the US proposal to retain 100 INF missiles in Alaska.

Reuter adds: In Seoul, the Dong-a Ilbo newspaper said the offer removed a great hurdle in the Geneva arms limitation talks. "Mr Gorbachev's latest offer appears to be realistically aimed at preventing the deployment of nuclear warheads in Alaska . . . and boosting the Soviet Union's image in the eyes of Asian countries, which have been wary of any Soviet nuclear threat," it said.

China had no immediate comment on the announcement, but Western diplomats in Peking said that at first sight it should be pleased by his offer. "However, more time is needed to assess the Soviet offer. I would be surprised if Gorbachev is offering something for nothing," said one diplomat.

The Vice-Foreign Minister, Qian Qichen, said in an April interview with the Chinese weekly magazine "Outlook" that retention of 100 Soviet missiles in Asia while others were scrapped in Europe would greatly concern Asian countries and not serve Soviet interests.

In Taipei, a senior government official said that any agreement should also cover the elimination of traditional and chemical weapons in both Europe and Asia.

Hope for end to EC air travel fares cartel

BY WILLIAM DAWKINS IN BRUSSELS

NEGOTIATIONS between ten large EC airlines and the European Commission over important changes in price fixing and revenue sharing arrangements are expected to be completed within weeks.

Mr Peter Sutherland, the Commissioner in charge of competition policy, yesterday said that "a great deal of agreement had been reached in principle" with airlines on scrapping clauses in their bilateral agreements that effectively create a cartel on EC air routes. The negotiations between Brussels and the airlines have been going on since April, alongside the Commission's attempts to introduce a general air transport liberalisation package, now grounded because of a diplomatic row between Britain and Spain over the status of Gibraltar.

Mr Sutherland said he expected the airlines to make the "necessary modifications to their agreements" in the next few weeks and that the whole process should be over by September 30. He added yesterday that the Commission would continue the legal pressure against individual airlines for the time being.

Once agreement with the carriers is reached the Commission is planning to give the industry a block exemption under Article 87 of the Treaty of Rome to EC competition rules.

In a separate move, Mr Sutherland said yesterday that the Commission was "obviously very concerned about the effects on competition" of the proposed merger between British Airways and British Caledonian. While the deal was partly a consequence of what was already a "highly anti-competitive system," it was not necessarily anti-competitive on grounds of size. The real question, he emphasised, was whether or not smaller airlines would get adequate access to European routes flown in parallel by the two major carriers. "We do not wish to see, even in this uniquely anti-competitive environment, a reduction in competition," said Mr Sutherland.

Budget compromise runs into opposition

BY TIM DICKSON IN BRUSSELS

EC BUDGET ministers last night abandoned their struggle to set a Community budget for 1988 until their next meeting in September.

A new compromise by Denmark, the current president of ministerial meetings, for spending next year of Ecu 41.6bn (£29bn), ran into strong opposition particularly from Britain.

Bilateral talks between the Danes and the UK, France, West Germany and Spain were held in an effort to break the deadlock but without success.

The problem lies in the fact that first the European Commission (with its preliminary draft budget of Ecu 39.7bn announced in May) and now the Danish Presidency have significantly exceeded the Community's spending limit imposed by the so-called 1.4 per cent VAT ceiling agreed by heads of state in 1984.

The difference between the Commission figure and yesterday's compromise is not as dramatic as it seems, being based on a different way of calculating the figure rather than any proposed increase in agricultural or other spending.

As Mr Peter Brooke, the UK's budget minister made clear to his colleagues yesterday, however, no total is acceptable to Britain which does not respect the existing legal framework agreed in 1984 and which does not balance revenue and expenditure as required under the EC Treaty.

West Germany was partly in agreement with this position but others yesterday hinted at varying degrees of flexibility and a willingness to go higher. France, for example, indicated that it might be prepared to concede a 1988 budget equivalent to 1.6 per cent of the so-called VAT base.

The problem is that while Britain is sticking to the law, the Commission and the Presidency are simply acknowledging the reality. The Commission's proposals were in fact highly restrictive by comparison with the likely level of actual spending in 1987 (implying no more than a 2.6 per cent increase).

Plans on the table for the future financing of the Community imply an increase in own resources which would take account of over-spending in recent years. The difficulty lies in the fact that many are pre-judging the outcome of discussions which it is hoped—though it is by no means certain—will be concluded by the Copenhagen summit in December.

Portugal to tackle steel industry

By Diana Smith in Lisbon

THE PORTUGUESE state will spend at least Es 67bn (£287m) restructuring and streamlining the national steel corporation, Siderurgia Nacional, which is losing money heavily.

Unlike the rest of Western Europe, Portugal decided to expand its modest steel industry in the 1970s, when it embarked on an ambitious plan to increase production from 400,000 tonnes a year to 1m tonnes.

Costly equipment was ordered from Italian suppliers. But, shortly after, the plan was suspended when the governments in the early 1980s realised that a key aspect of the plan—export of large amounts of the increased production — could not be achieved in the shrinking international market.

Siderurgia Nacional, therefore, started piling up losses, caused by overmanning and low productivity. It took on new employees in the early 1980s when most European countries were drastically reducing the number of people working in the industry, and now employs more than 5,500 people.

Portugal has until 1990 to get Siderurgia into some kind of shape before bearing the full brunt of the EC's tough steel industry quotas and fines for companies which exceed them. Of the Es 87bn the Government has committed itself to pump into the company to try to make it more productive, Es 21bn will go towards covering the losses accumulated since 1982, Es 13bn will be for investment in restructuring, and more than Es 34bn will be allocated to pay debts directly related to the 1970s expansion plan which never got off the ground.

Although the Government recognises that the number of Siderurgia's employees must be reduced, they have not yet said how many workers must go, or how the shrinkage will be carried out.

Deadline set for agreement on regulating mergers

BY WILLIAM DAWKINS

THE EUROPEAN Commission yesterday gave EC member states an autumn deadline to agree in principle on a scheme to set up Community-wide controls over mergers likely to distort competition.

Mr Peter Sutherland, the Competition Commissioner, said that if he could not get "adequate agreement" on the long-stalled proposal, "we will then proceed to use the remedies available to us," he said, while presenting the Commission's annual report on competition policy.

That would mean abandoning the merger control directive, which is stuck with national officials after 14 years of debate and, instead, monitoring EC-wide mergers under Articles 85 and 86 of the Treaty of Rome. These allow the Commission to outlaw any industrial agreements likely to distort free competition. "Clearly, that would be less satisfactory," Mr Sutherland said.

Under the present system, the Commission can only vet certain kinds of mergers after they have taken place. The deadlocked proposal — held up chiefly by Britain—means the Brussels authorities could give clearance for cross-border mergers in advance and would allow the Commission to prohibit takeovers that would lead to unacceptable market dominance.

It estimates that 30 cross-border mergers per year would be covered by the blocked measure, of which perhaps three would be blocked. Mr Sutherland refused to speculate on recent details that might qualify but pointed out that the Commission could take action in any case under existing EC competition rules.

His announcement gives official weight to an informal statement by competition authorities earlier this month. Yesterday's competition report, a summary of the Commission's activities in the field over the past 12 months, lays heavy emphasis on the need for a system of Community-wide merger control in view of the increasing number of EC-wide takeovers involving very large companies. The document also reveals that the Commission is preparing a separate proposal to screen cross-border joint ventures—as opposed to financial mergers—for infringements of competition law.

It argues that the absence of EC merger control laws could damage the interests of businesses trying to establish a Community-wide presence, especially at a time of increasingly extensive take-over activity. The Commission warns: "It is also very serious if it is not possible to respond adequately to mergers that so increase the concentration of markets that there is very little room for competition."

The total number of mergers involving the EC's larger companies shot up from 480 to 561 last year, says the report. The sharpest increase was among take-overs with combined sales of Ecu 1bn (£699m) especially in the chemicals, food and drink industries.

West Germany recorded 33 mergers in the Ecu 1bn-plus category, the highest number in the EC, followed by Britain with 24. Moreover, more than three-quarters of the largest take-overs were horizontal links, thereby increasing the risk of stifling competition, says the report.

It also highlights a surge in the number of acquisitions of minority stakes, up 94 per cent to 130 last year. If, as is often the case, these are being made as a prelude to a full bid, "a new wave of takeovers could be in prospect."

Sixteenth Report on Competition Policy, Office for Official Publications of the European Communities, Luxembourg. Price Ecu 11.6 (£8.30).

Social security system in France faces big deficit

BY GEORGE GRAHAM IN PARIS

FRANCE'S SOCIAL security system will face a record deficit next year, even after the stopgap financing measures decided by the Government last month.

The social security accounts commission yesterday forecast a 1988 shortfall of FFr 33.6bn (£3.4bn) on the general social security budget, which covers most salaried workers, after deficits of FFr 13.8bn this year and FFr 19.9bn in 1986.

In the second half of next year the social security organisation will be almost permanently in the red, with a liquidity shortfall often exceeding the FFr 8.5bn limit on its ability to borrow from the Caisse des Depots, the state financing institution.

Mr Philippe Seguin, the Minister for Social Affairs, said that the Government would take steps to combat the structural financing problems of the social security system in the first quarter of next year, before the presidential election.

The Government has already taken some short term measures to help meet the gap expected for this year, raising contributions by 0.6 percentage points, imposing a 1 per cent tax on investment income and raising the price of tobacco by 2 per cent.

These measures are in total expected to bring in FFr 9.4bn this year and FFr 12.9bn.

In addition, Mr Seguin launched a series of regional conventions designed to raise awareness of the need for change and to build some form of national consensus on the structural reforms to be undertaken.

French citizens still react vigorously whenever the rights they have acquired under the social security system are threatened, but rising unemployment and an aging population have, as in other industrialised countries, thrown the system out of balance.

Pension payments are expected to rise by 5 per cent in real terms this year and by nearly as much in 1988, while health payments are also rising steadily in volume.

Mr Seguin has taken care to point out the seriousness of the social security system's problems.

"If my intention had been to leave a time bomb, I would have hidden it from the eyes of passers-by, like anyone planting a bomb," the minister said.

Hungary may buy airliners from the West

BY LESLIE COLITT IN BUDAPEST

HUNGARY is likely to buy or lease Western airliners for the first time since the Second World War to replace obsolescent Soviet aircraft.

Until now, the only other Warsaw Pact country to do so has been Romania, which produces the BAe 1-11 under licence. The use of Soviet and not Western aircraft was an article of political faith for the rest of Eastern Europe, although an increasingly costly one.

The aquisition of Western aircraft by Hungary would be a test of the more pragmatic attitude of the Soviet leader Mr Mikhail Gorbachev, towards Eastern Europe.

Hungarian experts are studying offers from the Soviet Union and the West, including British Aerospace, for a 120-130-seat aircraft. It would replace Soviet-built TU-34s, used by Malev, the national airline. The two-engined Soviet airliners are fuel-inefficient, noisy and have been in production since the 1960s. Moscow, however, has little else to offer as a more modern replacement, except the three-engined TU-154, which seats 143 passengers. The modified "M" version of the aircraft meets present Western noise regulations but is heavy on fuel.

Mr Gabor Cseti, commercial planning manager of Malev, said yesterday that a decision on the aircraft will be taken shortly. Four are to be replaced next year and more in 1990, when Malev will begin phasing out its fleet of 12 TU-154s.

The airline wanted the best economic solution, he said. Future noise restrictions in the West would have to be taken into consideration, and Malev needed aircraft with low fuel consumption.

He said the only advantage of the Soviet aircraft was that they did not have to be paid for with hard currency and were not "so bad" if fuel costs were low. Mr Cseti hinted strongly that Hungary was likely to come down in favour of Western aircraft.

Eastern Europe reporting plea

THE International Helsinki Federal called yesterday for greater freedom of movement for journalists working in Eastern Europe, in a report on conditions for Western media in four Soviet bloc nations.

The report reviews jounalists' working conditions in Bulgaria, Czechoslavakia, Poland and Romania.

Journalists should not be restricted or harassed while carrying out their duties, the report said. Harassment includes surveillance, threats of expulsion or visa withdrawal.

Private health care for Dutch

BY LAURA RAUN IN AMSTERDAM

A DUTCH doctor has received government permission to run a diagnostic clinic for profit on an experimental basis in a move that is expected to usher private health care slowly into the Netherlands.

Doctor Hans Boerema, a urologist, already has been operating his diagnostic clinic in Nijmegen for a year without an official government permit and has outraged the health care industry. Until now his medical services have been limited to routine health examinations for sports activities and insurance policies.

But as from January 1 next year the Boerema Clinic can perform all diagnostic services required by physicians and medical specialists on a for-profit basis. In an equally significant move four hospitals around Nijmegen, which is on the West German border, also will be allowed to operate their clinics for profit experimentally and thereby compete with the entrepreneurial doctor.

Dr Boerema believes he can provide medical care more cheaply and efficiently, with better service, than traditional hospital clinics by avoiding needless duplication and making more intensive use of facilities. Longer opening hours are designed to bring down overhead costs as well as cater better to patients' needs.

It is hoped that cheaper medical fees also will attract insurance companies looking for cost savings and edge out more expensive clinics.

Spain buys more from Portuguese

By Our Lisbon Correspondent

PORTUGAL's exports to Spain continued to grow in the wake of EC membership. The latest official Spanish figures show that, in the first half of the year, exports to Spain, which is now Portugal's second largest trade partner in the Community after West Germany, rose by 75 per cent to Pta 46.8bn (£228m), compared with the first half of 1986.

Spanish exports to Portugal, meanwhile, rose in the same period by 36 per cent to Pta 90.9bn.

Before EC entry, Spain's exports to Portugal exceeded Portuguese exports to Spain by five to one, but the combination of dropping tariff barriers and greater understanding by Portuguese manufacturers of the potential of the market led to rapid increases.

By the end of June coverage of imports by exports had improved, and reached 51.4 per cent. The imbalances of trade between Portugal and Spain are beginning to be offset by massive increases in direct Spanish investment in Portugal.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R. A. F. McClean, G. T. S. Damer, M. C. Gorman, D. E. P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1, © The Financial Times Ltd, 1987.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

OVERSEAS NEWS

Indian minister dismissed for attacking Singh

THE INDIAN Prime Minister Rajiv Gandhi yesterday dismissed a government minister for criticising the outgoing president – the third to leave the cabinet in 10 days, Reuter reports from New Delhi.

The Press Trust of India (PTI) said President Zail Singh demanded the dismissal of Mr K.K. Tewari, a Gandhi loyalist and Minister of State for Public Enterprises, after he publicly accused the president of sedition.

Mr Tewari's dismissal came amid a simmering row between the 42-year-old Prime Minister and the 71-year-old President who steps down at the end of his five-year term on Saturday.

Mr Tewari said on Tuesday that Mr Singh, who has recently been a focus for anti-Gandhi feelings in the country, was trying to destabilise the country, PTI said.

He said the President "on his own, and perhaps with other dubious connections, was trying to bring about total destabilisation of the political system aimed at splitting the country."

Mr Gandhi, embroiled in a prolonged crisis, has lost two other ministers since July 14 and sacked four senior members of his Congress (I) party for challenging his leadership and allegedly trying to split the party.

Mr Gandhi's supporters have accused the dissidents of trying to persuade Mr Singh to stand for re-election against the Congress candidate in presidential elections this month and to authorise prosecution of the Prime Minister in connection with arms payoff scandals.

Mr Singh has made no secret of his disputes with Mr Gandhi. This week he said in a magazine interview that the Prime Minister was immature and his reputation "in the mud."

PTI said the President, however, took strong exception to Mr Tewari's comments against him last Tuesday and demanded his dismissal from the Government at a meeting with Mr Gandhi.

Mr Tewari has previously accused Mr Singh – a former Punjab chief minister – of harbouring Sikh separatist extremists at the presidential palace in New Delhi.

The two ministers Mr Gandhi lost last week were his close friend and Minister of State for Defence Arun Singh and Tourism Minister Mufti Mohammed Sayeed.

According to press reports Mr Arun Singh was embarrassed by government denials that huge kickbacks were paid to officials in the purchase of Bofors howitzers from Sweden.

Mr Sayeed, the senior Moslem cabinet minister, stepped down saying the Government was failing to tackle a rising tide of violence between India's Moslem and Hindu communities.

Mr Gandhi has also sacked four ex-ministers from the Congress party for "anti-party activities" and forced one of his best friends, Hindi film star idol Amitabh Bachchan, to resign from parliament following allegations of offences against currency regulations.

Aquino land reform plan comes under attack

LEFT-WING farmers yesterday denounced President Corazon Aquino's land reform programme, and a prominent advocate of reform warned the plan could trigger "chaos" if it does not give justice to landlord and tenant alike, Ap reports from Manila.

Mr Aquino signed a decree calling for the ultimate redistribution of all agricultural land, including her family's 6,000 hectare sugar plantation on Wednesday.

She left it to Congress, which convenes on Monday, to decide redistribution priorities and the amount of property current landowners will be able to keep. The plan is aimed at redistributing 5.4m hectares to about 2.6m landless peasants.

But the militant Movement of Philippine Farmers (KMP), denounced the plan as inadequate, and landlords vowed civil disobedience to block implementation.

The KMP, which claims a nationwide membership of 750,000, announced plans to march today on the presidential palace to demand immediate and free distribution of land. The KMP dared the government to eject its members from vast tracts of public land they claim to have seized.

Earlier, 15 landowner associations announced in a document signed in blood that they will not surrender title to lands and threatened to destroy crops if necessary to prevent takeovers.

Mrs Aquino noted that her executive order provides sanctions against any group that resists the land reform program.

Members of the newly-elected Congress were divided over the decree. Some said Mrs Aquino should have left the entire matter to the legislature. Others supported it and said they would file a new tax measure to help finance it.

Seven die in clashes with police in Bangladesh

BY SAYED KAMALUDDIN IN DACCA

SEVEN PEOPLE were killed and many injured in Bangladesh yesterday in clashes between police and anti-government protestors on the second day of a 54 hour general strike called by the opposition.

Five were killed in Dacca when police fired on rampaging crowds that attacked them in the city's commercial district while the other two were killed in the southern districts of Khulna and Sirajganj.

The anti-government movement have called for the resignation of General Ershad, the country's president. The protests were fuelled by the passage of a controversial bill in parliament on July 12 ensuring the participation of the military as non-voting members along with other civilian officers, on district councils. The Opposition described the move as an attempt to militarise the civil administration.

Despite the basic differences within the two mainline opposition alliances, led by the Bangladesh Nationalist Party and the Awami League, Gen Ershad's move has prompted them to agree on this one issue.

The head-on confrontation with the government has generated widespread tension in the country, and unless an acceptable face-saving device is evolved soon many more deaths may be the result.

Sharjah ruler brings in sweeping changes

BY ANDREW GOWERS, MIDDLE EAST EDITOR

SHEIKH Sultan bin Mohammed el Qassimi, the ruler of the Gulf emirate of Sharjah who was almost toppled by his elder brother a month ago, has announced a sweeping reorganisation of his Government.

In a decree issued earlier this week, he set up an executive council comprising the heads of local government departments and "a number of other individuals selected by the ruler from among citizens known for their ability, experience and integrity."

The decree appeared to mark the formal resolution of the constitutional crisis in Sharjah, a member of the United Arab Emirates federation. Establishment of such a council was one of the key demands made by Sheikh Sultan's brother, Sheikh Abdul-Aziz, as a condition for abandoning his leadership claim.

Pretoria rift with Maputo deepens

By Anthony Robinson in Johannesburg

RELATIONS between South Africa and Mozambique appear to have reached a new low point following Mozambican denunciations of continuing South African support for Mozambican rebels accused of massacring 380 civilians at Homoine in Inhambane province last week.

The South African government yesterday officially denied any involvement in the reported massacre and "rejected totally" an account of the massacre carried in the official Mozambican newspaper Noticias.

A communique issued by the politburo of the ruling Frelimo party carried by Noticias stated: "those mainly responsible are the mentors of banditry, namely the Pretoria racist regime. The bandits are no more than an extension of Pretoria's armed forces."

In reply Pretoria's official note expressed "strenuous objection to what is obviously an officially sanctioned statement made through the press by the Mozambican government," and demanded "an immediate explanation as to why the Mozambican government has not approached the South African government officially . . . and elected to use the media in this propaganda ploy."

The note added that Mr Colin Patterson, Pretoria's Trade Representative in Maputo had been asked to deliver a diplomatic note of protest.

Mozambique claims that the massacre by Mozambican National Resistance (MNR) forces followed infiltration of MNR forces into southern Mozambique from South Africa and at least five South African airdrops of supplies to MNR forces in recent months.

Pretoria claims that it ceased support for the MNR rebels after the March 1984 Nkomati accord in return for a Mozambican commitment to curtail the activities of African National Congress guerrillas.

Despite Pretoria's denials however the US and other foreign governments believe that South Africa continues to give clandestine support. Pretoria on the other hand claims that ANC guerrillas continue to operate from Mozambican territory and remains what President P. W. Botha recently called a politico-military centre for the infiltration of armed guerrillas into South Africa via Swaziland.

At least 11 alleged ANC cadres have been killed in Swaziland by alleged South African hit squads over the last eight months.

Earlier this week Mr Chester Crocker, the US assistant secretary of state responsible for southern African affairs stated in a radio link-up with foreign journalists, that "it's primarily the influence of outsiders—South Africa and private Portuguese elements—that account for the MNR's position and its remaining influence."

Mr Crocker was speaking after 3 days of talks with the Angolan Government which he described as "a waste of time." South Africa also supports the Unita rebel movement in southern Angola, which, according to Mr Crocker, could shortly face a major dry season offensive by Cuban and Soviet-backed Angolan government troops.

The latest massacre to embitter a civil war which has devastated the Mozambican economy occurred at a time when right wingers in the US Congress are challenging the administration's support for a Frelimo government characterised as marxist and pro-Soviet by hardline anti-communist congressmen.

They want Washington to switch its support to the anti-communist MNR, a policy reversal expected to be made even more unlikely by revelations of the latest massacre

Hyundai makes protest over nuclear contract

By Maggie Ford in Seoul

HYUNDAI, one of South Korea's top four companies, has publicly complained that the Government's decision to cancel a nuclear power station contract it recently won has cast a slur on its name.

The Government cancelled the $350m contract awarded to Hyundai's engineering and construction subsidiary earlier this month. Officials said that the state owned power authority should have put the contract out to competitive bidding.

Hyundai said the Government's decision implied that the company had used unfair means to win the contract. "Hyundai is doing business at home and abroad, and has displayed honesty for many years," the company said.

Heady days for China's cigarette mafia

BY COLINA MACDOUGALL

CROOKS think big in China these days. Cigarette barons selling the weed at inflated prices have cornered a large slice of China's vast market through a near-national network of special trains, aircraft and dishonest officials.

With injured innocence, now that the story is out, they "flaunt the banner of invigorating the economy and opening up other regions," says the Xinhua news agency.

The cigarette business in China, highly profitable since almost everyone smokes, is supposedly a government monopoly. But the reality is very different.

Mafia boss Chen Zizhing of Chengdu, capital of Sichuan province seized a piece of the action worth Yuan 2.4m (£402,000) before he was caught and this represents just the tip of a giant iceberg of illegal trafficking. He transported nearly 10,000 cartons of cigarettes from Guiyang, capital of tobacco-growing Guizhou province in China's south-west, to Chengdu for resale at jacked-up prices.

More in sorrow than in anger, Xinhua records that army lorries, aircraft and even postal trucks participated in the nationwide smuggling web. It was "particularly painful" to note that some senior officials regard the trade as one of their perks, and tried to defend the black marketeers.

The lion's share of the profits goes to bosses like Chen. In the city of Luzhou, where illegal cigarette markets are regularly held, one speculator twice gambled away his house but each time replaced it with a bigger and better one paid for out of his illicit earnings. In Haicheng in the northeast, over 300 cigarette traders earned a place in China's tycoon class, amassing capital of over Yuan 50,000.

Black market cigarette networks now operate all over China, Xinhua says. They hire traders who purvey information, handle the finances and buy off senior officials. Bodyguards and hatchet men are also on the payroll. Railway departments have been deeply implicated

In a post office at Jinhua in Zhejiang province, out of 20 truck drivers at least 15 took part, picking up expensive cigarettes in Canton for sale back home.

Cracking these networks is not proving easy. Some localities had "turned a deaf ear" to the state's regulations, Xinhua said. Control and retribution, so far limited to fines, needed stiffening. But nothing would work, the agency noted gloomily, until people had regained their "sense of occupational ethics" and a proper measure of party spirit.

Peter Blackburn examines the arguments for and against the franc zone

French purse strings find favour in Africa

WHEN THE doyen of French-speaking African leaders President Houphouet Boigny recently announced that the Ivory Coast had no intention of leaving the franc zone few bankers or observers were surprised.

Rumours had arisen in the local business community that this fervently Francophile West African state might abandon the *communaute financiere africaine* (CFA) franc currency in a bid to ease a financial crisis caused by a collapse in cocoa and coffee export earnings.

The CFA franc is the common currency used by 14 African countries, stretching from Senegal to the Comoro islands. Its value is tied to that of the French franc and free convertibility is guaranteed by the French Treasury.

The CFA's parity with the French franc has remained constant for nearly 40 years and provided a rare degree of financial stability in a turbulent continent.

If the Ivory Coast has decided to quit the CFA franc it would have been free to devalue unilaterally which it is argued would increase export earnings.

However critics point out that cocoa and coffee exports are relatively price inelastic and short-term gains would soon be neutralised by the increased cost of debt service, imports and accelerated inflation.

Instead a new scheme combining higher import duties with subsidies on non-traditional exports could, if properly implemented, bring an effective 20 per cent depreciation of the CFA franc. Unlike a straight devaluation, the scheme, part of the World Bank's structural adjustment programme, would not increase the debt service burden.

The franc zone, with its financial discipline and dependence on France, arouses mixed reactions in independent Africa. On the one hand it is seen as a durable and effective form of co-operation between an industrialised country, France, and a group of developing countries which includes some of the world's poorest. On the other it is regarded as a "colonial hangover" enabling France to maintain privileged and profitable economic ties with its former colonies.

Houphouet—Boigny—staying in the zone

During nearly three decades of independence only Mauritania and Madagascar have quit the franc zone. Mali rejoined in 1984 after a 22 year absence and could possibly be followed by Guinea, Guinea Bissau and The Gambia.

Ivory Coast is part of the seven member West African Monetary Union (UMOA) which was set up in 1962 with a central bank (BCEAO) as sole source of currency issues. UMOA was substantially reformed in 1978 when BCEAO's headquarters were moved to Dakar from Paris and monetary policies liberalised to encourage greater promotion of local enterprise and regional economic development. UMOA members now have to keep only 65 per cent of their foreign exchange reserves with the French Treasury compared with 100 per cent previously.

Another six countries—including Spanish-speaking Equatorial Guinea—belong to the Central African Monetary Union (UMAC) whose central bank is based in Yaounde.

The 14th member is the Comoro islands which only gained independence in 1976 and whose Comorien franc is issued by the central bank in Moroni. The two main advantages of the franc zone are the convertibility and stability of the currency, according to bankers and African officials.

These two factors have helped to attract foreign investment especially in the Ivory Coast and Cameroon. The franc zone is also the envy of English and Portuguese-speaking countries whose overvalued, unconvertible currencies have led to the growth of huge black markets and rampant inflation.

Some African critics say that France is the main beneficiary of the franc zone in terms of trade, investment and financial remittances from the over 300,000 French citizens in Africa.

Until 1984 France enjoyed regular trade surpluses and after a two year hiccup returned to the black in 1986. French companies, especially small and medium scale exporters, benefit greatly from the fixed parity, free convertibility and easier banking procedures.

The French share of the UMOA market has slipped to less than one third from two thirds since 1960, but as a French trade official points out the value of trade has risen steadily.

Some economists suggest that the Ivory Coast and other commodity exporters might be better off if their currency was pegged to the dollar instead of the French franc. They argue that the sharp fall in commodity prices has been more moderate in dollar terms and that exporters such as Brazil and Malaysia, who have been able to devalue in line with the dollar, have gained a competitive advantage.

WORLD TRADE NEWS

Progress made to curb aircraft purchase offers

BY WILLIAM DULLFORCE IN GENEVA

THE US and the European Community have agreed that a list of prohibited government inducements to companies to buy civil aircraft from national manufacturers should be compiled.

They are almost "eye-to-eye", according to an EC official, on the contents of the list, which would, for instance, ban governments from linking landing rights for a foreign aviation company to the purchase of certain airliners.

This measure of agreement emerged yesterday from the US-EC dispute over the funding of the four-nation European Airbus airliners which the civil aircraft committee of the General Agreement on Tariffs and Trade (Gatt) has been examining.

However, the EC continued to block US pressure for "improvements" to the wording of the Gatt civil aircraft code which would limit the scale of government financial aid for the development of civil aircraft.

EC officials also remained cool in the face of US warnings that Boeing and other US aircraft manufacturers are ready to seek action under US trade laws against imports of Airbus airliners to the US.

The US would have less interest in starting a confrontation over civil aircraft than in almost any other trade sector, an official commented.

In 1986 the EC imported US civil aircraft valued at just over $3bn while its aircraft exports to the US totalled $1.18bn.

Washington has accused the French, West German and British governments of undermining the profitability of US aircraft manufacturers by subsidising development of Airbus airliners on a non-commercial basis.

At the request of the US the Gatt committee has been trying to clarify two articles of the trade agreement on civil aircraft.

The US has been asking for a strengthening of the language in one covering government procurement practices and inducements.

The stipulation that countries should not "exert unreasonable pressure" on buyers is too weak in the US view but European officials have not agreed to amend the wording.

Deadlock prevailed in the committee yesterday over the article governing subsidies. The US demanded that government financial aid should be linked to the pricing of civil aircraft which, the article stipulates, should be based on a "reasonable expectation of recoupment of all costs".

The EC rejected this interpretation and stood firm on the position that nothing in the Gatt code prohibits public funding of aircraft development.

Britain in move on export credits

By Peter Montagnon

BRITAIN is to seek an end to the maturity limits on export credits for richer countries during international discussions on export credit rules at the Organisation for Economic Cooperation and Development in Paris in the autumn.

The UK Export Credits Guarantee Department sees such a change as a logical extension of the decision taken earlier this year at the OECD effectively to abolish interest subsidies on credits to richer countries from July 1988.

Constraints

Although the subsidies are to be removed, other constraints on export credit business will remain. These include rules stating that export credit should cover no more than 85 per cent of costs for any given project and set a maturity limit of eight years in all but specialised cases like aircraft sales.

ECGD feels that these constraints will no longer be logical when the interest subsidies are removed and that they militate against its current efforts to improve the spread of risk it ensures by doing more business in more creditworthy markets.

Initiative

Lifting the maturity constraint would, for example, help the ECGD to win more long-term project business in countries such as New Zealand, one senior official said.

The British initiative is, however, likely to be opposed. Some European nations are expected to argue that it would give an unfair advantage to countries where long-term capital market funds are readily available.

The US, which has proposed 30-year facilities for developing countries, is understood to feel that lifting the maturity constraint for richer countries is unnecessary, believing it would take the export credit agencies into an area that is already satisfied by the private sector.

A dynamic region is moving towards a new co-operation, **Peter Ungphakorn writes**

Asean ploughs ahead to trade reform

THE list of almost 19,000 products provided preferential import tariff rates when traded between the six countries in the Association of Southeast Asian Nations (Asean) has become something of a joke.

Snow ploughs are a favourite illustration of why the list has become so regarded. The ploughs would be eligible for lower tariffs within Asean — if anyone in Brunei, Indonesia, Malaysia, the Philippines, Singapore or Thailand could find a use for them.

The six Asean countries, exercising individual rights to protect "sensitive" goods, have excluded from the list almost any product worth trading, leaving only 5 per cent of the value of trade between Asean countries covered.

There are signs, however, that Asean's attitude to its preferential trading arrangement is changing. Sluggish world trade, the spectre of protectionism in the industrial trading partners, and economic setbacks over the past two or three years, seem to have created the political will for co-operation that has so far been so lacking in this economically dynamic region.

There is still a long way to go and few foresee spectacular developments. But Asean heads of government are due to meet in Manila in December. This will be only the third summit in Asean's 20-year history, and substantial progress on economic co-operation is considered necessary if the summit is to have any meaning.

Two weeks ago Asean economic ministers approved a framework for co-operation, aimed at the summit, which would include significant expansion of preferential trade with Asean, and increase promotion for *industrial joint ventures* that could include capital from outside Asean.

'The six Asean countries, exercising individual rights to protect 'sensitive' goods, have excluded from their preferential import tariff list almost any item worth trading, leaving only 5 per cent of the value of trade between Asean countries covered'

Cooperation in trade and investment is designed to attract capital from the industrialised countries as well as to generate economic growth in its own right. The larger regional market that would be created by lower internal barriers is considered an incentive for investment.

Mr Lee Kuan Yew, Singapore's Prime Minister, also talks of setting a liberal example for the protectionist industrial world.

Asean solidarity has so far been largely confined to external relations, such as lobbying in the current round of global trade talks and other international trade forums. But on internal economic cooperation, little has been achieved either in trade or investment.

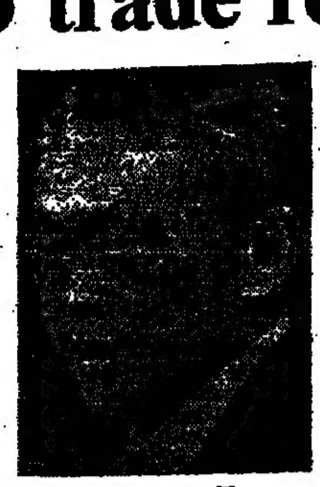
One of the reasons has been the similarity of products, making Asean members competitors rather than complementary producers. Increased product diversity in Asean may, however, remove this obstacle.

Nevertheless a consensus will be difficult to reach and many observers remain sceptical that concrete progress will be achieved.

Indonesia has been singled out as the most cautious of the six, resisting attempts to set the year 2000 as a target for considerably freer trade. It argues that its industry is less developed than its neighbours' and therefore needs to be protected.

Shortly before the economic ministers met in Singapore earlier this month, senior officials, including those from Indonesia, agreed to aim for an Asean trade area to be set up by 2,000 with preferential tariffs on at least 90 per cent of traded items, accounting for 80 per cent of traded value.

The ministers removed this reference from the final communique, leaving only a commitment—to be endorsed at the summit—to reduce exclusions from the preferential trading arrangement over the next five years to no more than 10 per cent of traded items and no more than 50 per cent of trade.



Mr Lee Kwan Yew

Products newly enjoying preferential tariffs are to have import duties at least 25 per cent lower than the rates charged if they were imported from outside Asean. Those already treated preferentially are to have the tariff advantage deepened from 25 per cent to 50 per cent, although the value of this is questioned—cutting the import duty on snow ploughs, for example, is hardly likely to increase trade in such equipment.

The worst offender on tariff rates is Thailand, with 1,885 products, 65 per cent of its traded items, excluded from lower duties even when imported from fellow-Asean members. Under the new commitment this "exclusion list" will have to be cut to at most about 300.

Thailand is now one of the stronger advocates of freer trade and investment co-operation in Asean. Its economy is booming and its exporters want to expand markets and attract investment. The Philippines is also a strong advocate since such co-operation would assist economic recovery and provide prestige for President Cory Aquino's government which will host the December summit. Malaysia, too, is pushing for co-operation.

But even these three are wary of opening up their markets to Singapore's more advanced goods and services industries. Singapore is being asked to grant concessionary shipping rates for Asean products in return for gains from opened markets, but no specific agreement has been reached.

Other areas of co-operation agreed in principle by Asean's economic ministers include: measures to tackle depressed commodity markets, a "visit Asean year" of tourist promotion to celebrate the group's 25th anniversary in 1992, the establishment of an Asean reinsurance corporation, and strengthened air, shipping and land transportation links.

Malaysian cars 'will be exported to UK soon'

MORE than 48,000 cars made in Malaysia in collaboration with Mitsubishi of Japan will be exported to Britain over a five-year period beginning September 1988, AP-DJ reports from Kuala Lumpur.

The manufacturers of the car, called the Proton Saga, are quoted as saying that details have been finalised and the letter of intent is expected to be signed with Proton US soon.

The government-backed manufacturer, Perusahan Outomobil Malaysia (Proton) has named a Malaysian company, Export Cars Corporation (Malaysia) to export the cars to the UK.

A company spokesman said: "An announcement can be expected soon."

The letter of intent states that 5,000 cars would be exported in the first year, 7,500 in the second year, 10,000 in the third year, 12,000 in the fourth year and the rest in the fifth year.

The plant was set up at a cost of more than $200m in collaboration with Mitsubishi of Japan.

Italians to sell aircraft in US

BY ALAN FRIEDMAN IN MILAN

AN Italian company yesterday unveiled plans to enter the US business aircraft market with a widebody turbo-prop which it claims will be competitive with US-built small jet aeroplanes.

Rinaldo Piaggio, a Genoa-based aircraft maker which manufactures engines under licence from Rolls Royce, yesterday wheeled out the P-180, a six-to-nine passenger executive aircraft expected to sell for around $3.6m.

The company says its new aircraft, which has a "Canard" style configuration with a small wing under the nose, will compete with Beechcraft's "Starship" model in the US which sells for more than $4m.

Piaggio admitted that it is at a disadvantage because it does not have a US partner for distribution and marketing. When the P-180 was orginally announced, in November 1983, it was to have been built as a joint venture between Gates Learjet of the US and the Genoa company. But Learjet dropped out of the venture last year and Piaggio is searching for an American business partner.

The P-180 flies at altitudes of oup to 41,000 ft and at speeds of up to 460 mph. The aircraft is powered by two Pratt and Whitney engines set on a wing close to the tail, the "pusher" propellers facing backwards.

For Piaggio, the P-180 represents something of a gamble. The company says it has spent $115m developing the aircraft and plans to manufacture an initial batch of 12, while tooling up for a productive capacity of up to 70 a year. But the business aircraft market has been in the doldrums in recent years and the weakness of the US dollar against the lira makes Piaggio's pricing less competitive.

Mr Rinaldo Piaggio, chairman and owner of the company, said he had not yet received any orders, but hopes to sell more than half of his output in North America.

China's signing of joint venture deals rises 30%

BY ROBERT THOMSON IN PEKING

THE Chinese Government said yesterday that the signing of joint venture contracts has increased 30 per cent this year, a marked improvement on 1986, when foreign investment fell by almost 50 per cent.

However, Peking gave no figure for the total value of the signed contracts, and said only that the number of contracts signed has risen. Investment funds actually used in the first half of the year was said to be $500m, an increase of 14.5 per cent on the same period last year.

Contracts signed in 1986 totalled $3.3bn, down from $6.3bn in 1985. The fall prompted the government to introduce 22 regulations late last year designed to make the country more attractive to foreign investors.

But investor confidence was further shaken by political instability early this year, when a campaign against "bourgeois liberalism" or Western influence was launched, and the communist party general-secretary, Hu Yaobang, was forced to resign.

Chinese officials had predicted that investment this year would be about the same as last, but a spokesman for the state council said yesterday the concessions made to investors have "boosted the confidence of foreign investors."

AMERICAN NEWS

Stewart Fleming, US Editor in Washington, on the confirmation hearings for chairman of the central bank

Greenspan rebuts fears he will lead Republican Fed

"YOU ARE moving onto a board of clones," Senator William Proxmire, chairman of the Senate banking committee, told Dr Alan Greenspan, the 61-year-old economist nominated by President Ronald Reagan to succeed Mr Paul Volcker as chairman of the US Federal Reserve Board.

It was not the only note of veiled criticism Dr Greenspan and the institution he is going to lead had to endure during the three-and-a-half-hour grilling at his confirmation hearings on Capitol Hill on Tuesday.

For as Dr Greenspan prepares to replace the man who has dominated the world economic stage for the past eight years, even admirers of the US central bank and its new chairman—his confirmation seems assured—are expressing concern about the future.

At a time when the US is dependent as never before in the post-war period on the confidence of international creditors, and the performance of its economy is inextricably linked to the policies adopted by its trading partners, the Federal Reserve will be headed by a man whose reputation has been built on his analysis of the domestic American economy, in particular its industrial rather than its financial sector.

Moreover, among the other members of the Fed board of governors, there is nobody with anything approaching the same experience of international financial diplomacy as Mr Volcker or Professor Henry Wallich who retired from the board last year.

The "clones" jibe from Senator Proxmire was perhaps to be expected. But the point is not entirely unfair. Fed governors are, by statute, appointed for 14 years, a tenure which was designed to provide the board with depth and diversity of expertise and which would help to ensure the Fed's political independence.

However the longest serving board member is Ms Martha Segar who was appointed in 1983. With one board appointment still vacant, every member has been appointed by President Reagan.

Dr Greenspan of course was quick to dismiss suggestions that, as a committed Republican himself, his independence, and therefore the integrity of the Fed and its monetary policy judgments, would be in jeopardy because he would succumb to political pressure with half an eye on next year's presidential and congressional elections.

Challenged by Senator Donald Riegle, a former Republican House member turned Democrat, with the view that "nothing would destroy the effectiveness of the Fed faster, not just domestically but internationally, than the notion that the Fed was susceptible to (political) pressure," Dr Greenspan insisted that while he did not expect such pressures to occur but if they did he said they would be resisted.

Alan Greenspan: joining "a board of clones"

He left no doubt either that, like Mr Volcker, he saw fighting inflation and reducing the federal budget deficit as critical to the long-term health of the US economy.

However, throughout his testimony there was enough in what he said, and the way he said it, to suggest that he will take up his new post carrying a heavy burden of proof so far as the financial markets are concerned.

He managed at the outset to make his political views an issue by firmly taking a position alongside President Reagan and opposed to Mr Volcker (and the Democratic Party on Capitol Hill) on the issue of taxes. He argued that a tax increase is not desirable as a way of tackling the Federal budget deficit.

He sounded an optimistic note about the immediate outlook for inflation at the same time that Mr Volcker in testimony on the other side of Capitol Hill was grimly warning that "we are in a rather critical period when the danger of building current price increases into the nation's cost structure and creating once again a serious inflation problem, needs to be guarded against."

Dr Greenspan also lined up right alongside the Reagan Administration and against Mr Volcker and the Democratic chairman of the Senate banking committee, on issues of bank regulation and the restructuring and de-regulation of the financial sector.

Moreover throughout his confirmation hearing Dr Greenspan, while clearly displaying an intellectual grasp of international economic issues, also showed no great readiness to address them. It took two hours before the issues of the links between the trade and budget deficits, the role of the dollar, and indirectly questions concerning economic policy co-ordination came up, and then it was Senator Riegle again who brought them up.

Earlier Dr Greenspan had managed to address the issue of the burden of federal debt entirely from a domestic point of view, apparently reluctant to focus attention on the nation's massive foreign debt.

Dr Greenspan's considerable confidence in the ability of free markets to cope with the world's economic problems found expression in the very bankerly judgement that the third world debt crisis would be over when debtor countries could borrow freely on the Euromarkets again.

This was too much for Senator Bob Graham, a Florida Democrat, who suggested that the genesis of the third world debt crisis, and the mistakes the commercial banks made in imprudent lending to major debtors, "raise a concern as to whether we can look exclusively to marketplace standards of success or failure."

There has been much talk since Dr Greenspan's appointment was announced about how he shares Mr Volcker's concerns about inflation and how determined he will be, as he himself put it, to follow in his predecessor's footsteps in continuing the fight against inflation. He left no doubt this week of his commitment on this score.

Dr Greenspan is likely to have much readier access to the President but he will have to begin building the trust and confidence of his peers in the world of international financial diplomacy, where he is much less well-known than his predecessor.

Moreover, Mr James Baker, the Secretary of the Treasury, who has shared so effectively with Mr Volcker the task of shaping US financial diplomacy, is expected to leave his post in the next nine months to play a leading role in the 1988 presidential elections.

World Bank's annual income suffers decline

THE WORLD BANK said yesterday that its net income in the year ending June 30 fell almost 12 per cent due to rising administrative expenses, higher provisions for doubtful loans, and because some developing nations fell behind on debt payments, Reuter reports from New York.

Income for the bank's fiscal 1987 year fell to $1.11bn from $1.24bn a year earlier, Mr Ernest Stern, senior vice president for finance said.

Income was hurt by a $57m charge for one-time administrative expenses in connection with staff cutbacks, non-accrual of $78m in income from four countries more than 180 days behind in their payments, and the provision of $41m in reserves against overdue loans to Nicaragua.

Mr Stern pointed out that profits were achieved despite these costs. He said the financial results were "highly satisfactory."

He said Syria, Liberia and Guyana joined Nicaragua in the past year on the list of countries which are more than 180 days overdue in interest payments to the World Bank.

The four countries have borrowed about $800m from the World Bank, which has suspended all loan disbursements to them as a result, Mr Stern said.

Mr Heinz Vergin, acting vice president and treasurer, said the World Bank had lent about $400m to Syria, $100m to Liberia and $80m to Guyana. Nicaragua, which is more than two years' late with interest, has borrowed $200m.

Mr Stern said talks to increase the World Bank's general capital are well underway. Increased general capital is needed to support the expansion of the bank's lending program.

"The need for a general capital increase has become clearer as our lending and disbursements grew in fiscal year 1987, and are expected to increase further, and preparatory discussions for a GCI are now well underway," Mr Stern said.

US health care plan wins House approval

THE HOUSE of Representatives yesterday approved a federal insurance plan for the elderly against catastrophic illness, the most sweeping U.S. health care program since Medicare was passed 22 years ago, Reuter reports from Washington.

The bill is designed to help the elderly meet major health costs not covered by their current Medicare insurance. It now goes to the Senate, where a similar bill is pending and expected to pass later this year.

The program was backed mainly by opposition Democrats who control both the House and Senate and is opposed by President Ronald Reagan, who may veto it as too costly.

Sponsors of the bill said expanded Medicare coverage was needed because married couples over age 65 averaged about $3,000 in annual out-of-pocket medical payments in 1986 and costs are expected to rise steadily.

The bill would put an annual cap of $1,798 on out-of-pocket expenditures by the elderly for health care services covered by Medicare, including hospitalisation and doctor's fees beginning in 1989. After 1989, the cap would be adjusted to reflect cost of living increases.

Under current law, Medicare covers only 90 days of hospitalization per year plus an additional one-time bonus of 60 days. The bill eliminates these limits.

The program was estimated to cost $34bn over five years. It would be financed by higher monthly fees paid by Medicare beneficiaries.

Mexico moves to open trade

BY WILLIAM ORME IN MEXICO CITY

THE MEXICAN Government is strengthening the peso and speeding up trade liberalisation in an attempt to slow inflation. It is doing so over the objections of powerful Mexican industrialists.

Inflation, running close to 125 per cent annually, can be braked in the second half of 1987 if domestic consumer prices are subjected to more foreign competition, government economists assert. The gradual reduction of import barriers that was to have been phased through 1988 will therefore be largely implemented this year, officials have decided.

On Tuesday, the Government removed import licence requirements from 72 items ranging from such big-ticket consumer goods as dishwashers and refrigerators to an array of agricultural products, including tomatoes and live chickens. Fewer than 400 products remain subjected to prior import licence requirements, compared with 7,500 when the present government assumed office in 1982.

Mexico is also eliminating so-called *official prices* on hundreds of other import items. Used to calculate duties regardless of the actual market cost of the imported product, the official pricing system has been a big barrier to imports.

By slowing the devaluation of the peso meanwhile—a policy which has been discreetly in effect since early this year—the government will be making these imported items relatively less expensive, and hence less inflationary.

Instead of keeping pace with the differential between US and Mexican inflation rates, as it had for the previous several years, the daily devaluation in 1987 has consistently lagged several points behind. Six months ago, by most estimates, the peso was protected by an undervaluation "cushion" of at least 25 per cent.

That margin has since eroded to about 18 per cent and could drop to half that by the end of the year, according to some government economists. The policy is expected to narrow Mexico's trade surplus in coming months. It could also, critics note, generate a short-lived consumer import boom, reminiscent of the illusory affluence of the 1979-81 oil boom years.

Many Mexican manufacturers openly oppose these policy changes. Some exporters fear they will be hurt by a stronger peso, while the majority of industrialists who sell mainly to the local market are worried by increased import competition.

Chile charges newspapers for leftist advertisement

BY MARY HELEN SPOONER IN SANTIAGO

GENERAL Agusto Pinochet's regime has taken to court two newspapers and two magazines for printing a paid advertisement signed by eight members of Chile's communist party.

The advertisement criticised the political parties' campaign for free elections, and urged that opposition groups begin a new round of demonstrations and protests "similar to the formidable mobilisation of the South Korean people."

In filing the suit, the Chilean Interior Ministry cited a law which imposes sanctions on any communications medium which lends publicity to organisations deemed illegal by the regime's constitution. A government official said the law provides for fines ranging from roughly $300 to $3,000, and that authorities were asking the maximum penalty.

The publications affected are APSI and Analysis, two opposition news magazines which have been frequent targets of government sanctions and closures in the past; and two independent newspapers, La Epoca and Fortin Mapocho, which began publishing earlier this year.

The communists' statement received widespread criticism from opposition political parties, including some dissident members of their party.

A spokesman for one of the targeted publications said the suit appeared to be aimed at news media critical of the Pinochet regime, given that pro-government newspapers had recently published interviews with Chilean communist party figures without any official retaliation.

Interior Minister Mr Sergio Fernandez said the suit did not constitute an attack on press freedom, but that press freedom "supposes adherence to certain norms which in this case have been infringed."

Military orders boost US durable goods figures

By Johanna Eigen

NEW ORDERS for durable goods received by manufacturers in June rose by 1.4 per cent to $108.53bn, the US Commerce Department said. This increase is due primarily to a *rise in military orders for durables*. The new June orders outside defence remained unchanged.

Defence capital goods orders rose in June by 15.8 per cent to $10.98bn, following a revised drop of 13.9 per cent in May. This heavy increase in defence demand boosted the overall level of orders for durables which showed only a slight increase. Orders for non-defence durables fell 3 per cent in June after a revised May increase of 5.9 per cent which was originally reported to have been 5.8 per cent.

Commerce Department officials said the 1.4 per cent June increase was the strongest rise in overall durables orders.

Cabinet adopts 'flexible' stance over spending

BY PETER RIDDELL, POLITICAL EDITOR

A NEW degree of flexibility is being introduced into Government decisions on future public spending, although the aim is still to hold next year's total as close as possible to the existing planned figure of £154.2bn for 1988-89.

After the usual mid-summer discussion of the economic outlook by the Cabinet yesterday morning, an official statement emphasised the continuing commitment to reduce the share of public expenditure in national income. This is to allow a further reduction in taxation.

This commitment will form the guideline for the bilateral discussions in the late summer between the Treasury and spending ministers leading up to the autumn economic statement in early November.

Previous announcements after July cabinet meetings have referred to the aim of staying "within" existing planned totals rather than, as yesterday, to coming "as close as possible."

The priority now of reducing the share of public spending in national income represents a change of emphasis, rather than strategy.

Ministers said afterwards that they did not expect this to make much difference in practice. In last November's statement, the previous total was raised by £4.7bn and this time, a much smaller adjustment, possibly of no more than £1bn to £2bn, may occur.

The aim is to reduce the share of Government spending in national income from 42¾ per cent this year to 41¼ per cent in 1988-89. This is regarded as the key commitment by the Treasury.

However, on the basis of the budget forecasts, the faster growth of the economy than previously expected might allow a leeway of £2bn above the forecast total for 1988-89 of £154.2bn, and output has been even stronger.

Councils gain 7% more in 'fair but tough' deal

BY RICHARD EVANS

A GRANT settlement that will force local authorities to increase rates (local property taxes) next year if they want to spend above the Government's estimates of their needs was announced by Mr Nicholas Ridley, Environment Secretary, yesterday.

The increase to £27,538m in councils' current expenditure provision for 1988-89 was around £1.5bn short of the amount the local authorities argued that they needed to avoid big rate rises or cuts in services, but it represents an increase of 7 per cent on the current year, well above the rate of inflation.

Mr Ridley accepted in the House of Commons that the "fair but tough" settlement could be difficult for imprudent councils, but he saw it as a reasonable framework for next year. "It will mean that if they do not spend more than the realistic provision we have proposed, then the average increase in rate bills should be no more than the rate of inflation," he said.

The settlement was strongly attacked by Labour leaders and by Labour-led authorities as inadequate. They argued that it would lead to further cuts in spending on education, public transport, the police, and care for children and the elderly.

The assumption is that many local authorities, both Conservative and Labour controlled, could be forced to raise domestic rates substantially next year if they are to maintain services, but details of the grants to local authorities will not be known until November.

In the meantime it will be difficult for borough treasurers to make a realistic assessment of the impact of yesterday's announcement on next April's rate demands.

University dons lose job-for-life security

By Michael Dixon
Education Correspondent

UNIVERSITY DONS' long-standing immunity from being sacked for poor performance in the job is to be removed in the Government's forthcoming education bill, Mr Kenneth Baker, Education Secretary, said yesterday.

He told the House of Commons that he was putting into force the legislation to limit the job security of university and college academic staff which had been under Government examination for five years.

The move was condemned by the Association of University Teachers as greatly weakening the main defence of academic freedom in this country. "Tenure safeguards the holding and expression of independent and unpopular views without fear of victimisation and retribution," it said.

Mr Baker said the Bill would provide for the appointment of three special commissioners to amend university and college statutes so that academics could no longer be guaranteed almost life-long tenure of employment.

The changes were first hinted at by Sir Keith Joseph, the then Education Secretary, in May 1982.

There followed a long series of exchanges on the matter between Sir Keith and the committee of vice-chancellors and principals which eventually supported the case for making academics liable to dismissal on grounds of redundancy, financial exigency and poor work.

Breakaway coal union set to endorse first six-day mine

BY CHARLES LEADBEATER, LABOUR STAFF

A COLLIERY in South Derbyshire, in the North of England, is expected to become the first one in Britain to produce coal six days a week.

Officials of the Union of Democratic Mineworkers (UDM), which was formed as a breakaway union during the 1985 coal strike, have accepted that investment at Cadley Hill colliery - designed to tap 110m tonnes of coal - should be tied to the introduction of flexible shift working. The plan has been accepted almost unanimously by the UDM branch at the pit.

The first coalface at Cadley Hill to produce six days a week could come on stream in two years' time. The UDM has also agreed that the miners' daily shift should be extended from 7¼ hours a day to 9 hours a day to cut the proportion of each shift which is spent in unproductive travelling time.

While the UDM has agreed to the concept of six-day production at the Hawkhust Moor mine in South Warwickshire, British Coal has yet to be granted planning permission for the project. It would not produce coal for another eight years.

The National Union of Mineworkers (NUM) in South Wales has accepted the concept of six-day production for the planned Margam drift mine, but that will not start production for another five years.

Mining engineers employed by the UDM and British Coal are conducting a joint examination of the feasibility of opening up the reserves at Cadley Hill. It is thought this would require at least an extra mile of tunnelling to extend well-established underground roadways.

The development would replace the existing Cadley Hill mine which is due to close by the end of next year. The replacement mine would employ between 600 to 650 miners to produce almost 2m tonnes of coal a year, according to Mr Dick Emery, the UDM official in the area.

The feasibility study is due to be concluded within six months. Mr Emery said it had been long established that it would be technically feasible to tap the reserves.

British Coal may be prepared to open national talks with Nacods, the mines deputies' union, on some aspects of the Margam project, according to union leaders. Nacods has insisted that talks over Margam should be conducted nationally, while the corporation has previously said it wants negotiations to be handled locally.

The NUM, the largest union in the industry, is to hold a membership ballot on British Coal's six-day working proposals. The union leadership is recommending rejection.

Most NUM leaders, however, want to explore the possibility of national negotiations on the corporation's proposals.

Union fights Pearl relocation

BY NICK BUNKER

STAFF AT the Holborn, London, headquarters of Pearl Group, the life assurance company, voted by a wide margin last night to oppose the group's plans to relocate 1,250 head office jobs to Peterborough, in the English East Midlands.

Members of the Association of Scientific, Technical and Managerial Staffs (ASTMS) voted by 446 votes to 84 against the move after a 40-minute mass meeting.

Industrial action was not discussed, but ASTMS national officials are demanding talks today with Pearl's management. The ASTMS represents about 1,000 staff at the London office, and about 8,000 Pearl employees nationally.

Mr Ken Rose, an ASTMS divisional officer, said before yesterday's meeting that officials had been angered by the suddenness of Pearl's announcement of the relocation plan three days ago. Union officials first heard the news at a private meeting with Pearl on Friday.

Baroness Turner, ASTMS assistant general secretary, told the mass meeting that it was "unprecedented for an insurance company to make this kind of decision and just drop it on people's desks without consultation."

Pearl wants to leave only 50 investment and actuarial staff in its London head office, and shift the rest to a new building in Peterborough by 1991 in order to cut costs and free the Holborn building for redevelopment.

Most other big insurance companies have relocated the bulk of their head office staff out of London in the last decade.

Pearl is one of the most heavily unionised British insurers, but ASTMS said there had not been serious industrial action there since the mid-1970s, when there were three weeks of selective action by the group's field force of salesmen.

Denning urges legal test of any move to widen VAT base

BY IVOR OWEN

Lord Denning

ANY ATTEMPT by the European Court of Justice to extend the VAT base in the United Kingdom by outlawing the existing zero rate band should be contested in the English courts, Lord Denning insisted in the House of Lords yesterday.

He argued that the European Court would be acting beyond its jurisdiction should it seek to rule the 1983 legislation authorising the zero rate invalid, and he urged Sir Patrick Mayhew, the Attorney General, to challenge any such ruling by seeking a judicial review.

Lord Denning, former Master of the Rolls - head of the civil division of the Court of Appeal - was speaking in a debate on the Finance Bill. He strongly criticised the European Commission for making an application to the European Court to declare a UK statute invalid in what amounted to a challenge to the sovereignty of the UK parliament.

He declared: "We are not going to be dictated to by the European Commission or the European Court as to what our law should be and what is to be done."

Lord Denning urged the Attorney General to be prepared to take any action which proved to be necessary up to the House of Lords - in its role as the highest court in the land - in order to establish by judicial review that the European Court and the European Commission had exceeded their jurisdiction.

He also condemned the practice of the European Court which, so far, had prevented the Government informing parliament about the pleadings it had made in response to the case brought against it by the European Commission.

When Lord Bruce-Gardyne asked how Britain's membership of what amounted to a customs union could be made to operate, Lord Denning replied that any change in taxation levied in the UK must be made by the free will of the UK parliament.

Parliament might be persuaded to introduce a particular change, he said, but it could not be commanded or forced to do so. Lord Young of Graffham, the Trade and Industry Secretary, explained that the Government had already sought a change in the European Commission's rules with a view to making known the pleas it had made in the case before the European Court.

He hoped that the fears which had been expressed about the possible imposition of VAT would "disappear" by the autumn.

Peers formally approved all the stages of the Bill and it later received the Royal Assent. When questioned later in the House of Commons about the European Commission's proposals for changing the coverage and rates of VAT, Mrs Margaret Thatcher, the Prime Minister, reaffirmed that they could become operative only by the unanimous vote of the member states.

It would not involve use of the "veto", because all that would be required was a vote against.

Ford seeks end to pay by weekly cash packet

BY OUR LABOUR STAFF

FORD HAS offered thousands of car workers a one-off payment of £200 to encourage them to give up their weekly pay packets and move to cashless pay.

Shopfloor workers moving to cashless pay would pick up the payment from October, the company said. The payment is one of the highest a company has yet offered to encourage workers to give up a cash pay packet.

Nearly half the hourly paid workforce at the company's Dagenham, Essex, car plant, east of London are still paid in cash. Those who have already switched to direct bank credits will also be given the £200. The company employs 24,000 shopfloor workers throughout its operations.

Ford wants to introduce direct bank transfer to streamline accounts and to reduce security problems.

Free State Consolidated Gold Mines Limited

Incorporated in the Republic of South Africa. Registration No 05/28210/06
Issued Capital: 116 179 121 shares of 50 cents each

FREEGOLD

Report of the Directors for the quarter ended June 30 1987

The following are the results of the company and its wholly-owned operating subsidiary, Free State Consolidated Gold Mines (Operations) Limited.

OPERATING RESULTS

	Quarter ended June 1987	Quarter ended Mar 1987	9 months ended June 1987
Gold			
Area mined—m² 000	942	905	2 830
Tons milled 000—reef	4 972	4 655	14 598
—dump reclamation	1 089	1 297	3 191
—total	6 061	5 952	17 789
Yield—g/t—reef	4.94	5.32	5.09
—dump reclamation	0.80	0.80	0.85
—average	4.20	4.34	4.33
Production—kg	25 436	25 806	77 061
Cost—R/m² mined	523.58	530.88	510.91
—R/ton milled	82.37	80.72	81.28
—R/kg produced	19 390	18 617	18 763
PRICE RECEIVED ON SALES			
Gold—R/kg	28 932	27 175	28 667
—$/oz	448	404	420

FINANCIAL RESULTS

	Quarter ended June 1987	Quarter ended Mar 1987	9 months ended June 1987
	R000	R000	R000
Turnover	761 081	750 185	2 317 631
Gold—revenue	732 569	710 325	2 211 874
—costs	493 208	480 443	1 445 884
—profit	239 361	229 882	765 990
Metallurgical scheme profit	9 044	12 181	34 823
Net sundry income	11 367	19 124	48 965
Profit before taxation	259 772	261 187	849 778
Provision for taxation	77 611	34 702	227 312
Profit after taxation	182 161	226 485	622 466
Appropriation for capital expenditure after loan finance	102 356	141 645	361 350
Profit available	80 805	84 840	261 116
Dividend—interim			180 078
Retained profit for the nine months			81 038
Earnings per share—cents	70	73	225
Capital expenditure—R000	105 641	145 993	375 114
Loan from Eastern Gold Holdings Ltd —drawn to date—R000	136 581	131 394	136 581

OPERATING AND FINANCIAL RESULTS

North Region

	Quarter ended June 1987	Quarter ended Mar 1987	9 months ended June 1987
Gold			
Area mined—m² 000	514	518	1 561
Tons milled 000—reef	2 441	2 400	7 283
—dump reclamation	131	233	504
—total	2 572	2 633	7 787
Yield—g/t—reef	5.08	5.42	5.15
—dump reclamation	0.76	0.65	0.74
—average	4.79	5.00	4.87
Production—kg	12 310	13 169	37 905
Cost—R/m² mined	482.47	476.59	470.44
—R/ton milled	96.42	93.76	94.31
—R/kg produced	20 145	18 746	19 374
	R000	R000	R000
Revenue	351 645	363 389	1 090 361
Costs	247 989	246 871	734 362
Profit	103 656	116 518	355 999
Capital expenditure	29 025	48 613	110 844

South Region

	Quarter ended June 1987	Quarter ended Mar 1987	9 months ended June 1987
Gold			
Area mined—m² 000	428	387	1 269
Tons milled 000—reef	2 531	2 255	7 315
—dump reclamation	958	1 064	2 687
—total	3 489	3 319	10 002
Yield—g/t—reef	4.88	5.21	5.03
—dump reclamation	0.81	0.83	0.87
—average	3.76	3.81	3.91
Production—kg	13 126	12 637	39 156
Cost—R/m² mined	572.94	603.55	560.70
—R/ton milled	70.28	70.37	71.14
—R/kg produced	18 682	18 483	18 171
	R000	R000	R000
Revenue	380 924	346 936	1 121 513
Costs	245 219	233 572	711 522
Profit	135 705	113 364	409 991
Capital expenditure			
—Region including Erfdeel	74 436	95 551	257 319
—Erfdeel	27 369	44 523	106 677

Metallurgical Scheme

	Quarter ended June 1987	Quarter ended Mar 1987	9 months ended June 1987
Pyrite flotation plants			
slimes treated—tons—000	3 833	4 164	12 103
Head grade			
uranium—kg/t	0.08	0.07	0.07
sulphur—per cent	0.87	0.81	0.84
gold—g/t	0.47	0.43	0.45
Uranium plant			
slimes treated—tons—000	937	1 175	3 266
concentrate treated—tons—000	102	104	322
uranium oxide produced—kg	111 002	124 649	356 362
Acid plant			
acid produced—tons	88 002	95 933	282 394
Gold plant			
calcine treated—tons	79 818	80 036	241 160
pyrite treated—tons	7 674	15 259	39 520
gold produced—kg	697	688	2 087
	R000	R000	R000
Revenue	28 512	39 860	105 757
Costs	19 468	27 679	70 934
Profit	9 044	12 181	34 823
Capital expenditure	2 180	1 829	6 951

SHAFT SINKING

	Quarter ended June 1987	Quarter ended Mar 1987	9 months ended June 1987
North Region	metres	metres	metres
Freddies Mine			
No. 1 ventilation shaft			
Advance	65	231	738
Depth to date	1 424	1 359	1 424
Station cutting	467	259	749
No. 1 main shaft			
Advance	346	82	428
Depth to date	502	156	502
Western Holdings Mine			
No. 1b sub-vertical shaft			
Advance	69	14	193
Depth to date	456	387	456
South Region			
Free State Saaiplaas Mine			
Delker main shaft			
Advance	180	94	371
Depth to date	1 743	1 563	1 743
Station cutting	363	534	1 390
Delker ventilation shaft			
Advance	84	275	563
Depth to date	1 610	1 526	1 610
Station cutting	45	94	327

DEVELOPMENT

Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

	Advance	Sampled					
	metres	metres	channel width	gold		uranium	
			cm	g/t	cm.g/t	kg/t	cm.kg/t
NORTH REGION							
Quarter ended June 1987							
Freddies Mine							
Basal reef	7 748	512	24.0	29.00	696	0.55	13.24
Leader reef	120	96	52.3	4.74	248	0.24	12.79
"A" reef	2 338	688	61.9	5.62	348	0.19	11.59
"B" reef	174	40	46.4	1.94	90	0.06	2.56

The development reported includes development by Freddies Mine in the area under tribute from Free State Development and Investment Corporation Limited.

	Advance	Sampled					
	metres	metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Free State Geduld Mine							
Basal reef	3 723	488	35.6	42.44	1 511	0.39	13.97
Leader reef	1 185	900	88.4	4.74	419	0.23	20.67
"A" reef	619	80	252.0	0.86	216	0.02	6.14
Elsburg reef	25	—	—	—	—	—	—
Pyrite reef	1 942	1 108	249.0	5.80	1 444	0.08	19.59
Western Holdings Mine							
Basal reef	6 317	840	14.9	80.67	1 202	1.28	19.07
Leader reef	2 932	1 256	113.7	3.60	409	0.21	23.65
"A" reef	755	204	103.3	2.79	288	0.11	11.80
"B" reef	6	—	—	—	—	—	—
SOUTH REGION							
Quarter ended June 1987							
President Brand Mine							
Basal reef	4 375	168	108.3	8.55	926	0.06	6.70
Leader reef	2 810	1 456	150.5	2.86	431	0.08	12.63
"A" reef	1 924	600	110.0	3.58	394	0.06	6.75
"B" reef	104	96	249.5	0.57	142	0.03	6.71
President Steyn Mine							
Basal reef	4 570	392	70.0	38.97	2 728	0.24	17.05
Leader reef	609	202	123.8	5.38	666	0.28	34.40
"A" reef	1 815	538	142.0	4.50	639	0.12	16.52
Free State Saaiplaas Mine							
Basal reef	6 476	964	77.5	8.49	658	0.20	15.28
Leader reef	671	162	120.7	1.57	190	0.09	10.97
"B" reef	1	—	—	—	—	—	—
Erfdeel							
Basal reef	5 850	180	58.8	12.35	726	0.41	24.12
Totals							
Basal reef							
Quarter ended June 1987	39 059	3 544	48.8	23.67	1 155	0.33	15.94
Quarter ended March 1987	38 776	4 250	50.1	27.43	1 374	0.29	14.77
Nine months ended June 1987	119 340	11 512	49.1	26.27	1 290	0.31	15.28
Leader reef							
Quarter ended June 1987	8 327	4 072	120.6	3.47	419	0.16	18.82
Quarter ended March 1987	9 076	4 838	121.8	3.74	455	0.14	16.98
Nine months ended June 1987	27 678	13 878	124.3	3.72	462	0.15	18.63
"A" reef							
Quarter ended June 1987	7 451	2 110	107.2	3.96	424	0.11	11.28
Quarter ended March 1987	6 095	1 582	118.5	5.31	629	0.14	16.14
Nine months ended June 1987	20 334	5 310	118.4	4.42	523	0.12	13.65

DIVIDEND

The interim dividend of 155 cents a share in respect of the year ending September 30 1987 was declared on April 23 1987, payable to members registered on May 8 1987 and was paid on June 12 1987.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1987 totalled R192 194 000.

CAPITAL EXPENDITURE

Expenditure on existing capital projects has been accelerated during 1987, resulting in a planned increase of R42 million to R560 million for the year. The bulk of this increase will be spent in the south region.

ACQUISITION OF MINERAL RIGHTS

The company's wholly-owed subsidiary, Free State Consolidated Gold Mines (Operations) Limited, has exercised options to purchase the rights to precious metals over portions of the farms Dankbaarheid No. 187, district Ventersburg, and Kyknou No. 81, district Welkom. These farms are contiguous to the north-west boundary of the company's Erfdeel Mine and cover an area of approximately 864 hectares.

ERFDEEL

Production from the Erfdeel area commenced on a limited scale during July 1987. This is some four months later than originally forecast owing to geological problems, notably faulting and weak ground conditions, encountered during the primary development phase. The long term viability of the project, however, remains unaffected despite these factors.

PRODUCTION

A series of disruptive events organised by certain local leaders of the National Union of Mineworkers contributed towards decreased gold production relative to forecast.

For and on behalf of the board
E. P. GUSH } Directors
L. HEWITT }

July 24 1987

WELKOM GOLD HOLDINGS LIMITED
Registration No. 05/24464/06
and
ORANGE FREE STATE INVESTMENTS LIMITED
Registration No. 85/05715/06
(Both of which are incorporated in the Republic of South Africa)

The attention of shareholders of these companies is directed to the above report

London Offices: 40 Holborn Viaduct, London EC1P 1AJ

The Transvaal Group's quarterly results appear on another page in this newspaper.

UK NEWS

MPs clash over findings of inquiry into pesticides

BY BRIDGET BLOOM

DIFFERENCES over the control of the use of pesticides in Britain showed yesterday as members of the Commons Committee on Agriculture publicly disagreed on the findings of their 16-month inquiry into the issue.

Conservative members of the all-party committee disagreed with the decision of their Conservative chairman, Sir Richard Body, to publish a committee report on the pesticide inquiry.

The report is highly critical of present controls over the use of pesticides on farms and calls for control to be taken from the Ministry of Agriculture and given to the Governments Health and Safety Executive.

Mr John Carlyle and Mr Paul Marland, two of the seven Conservatives on the 11-member committee, also disagreed with Sir Richard's call for increased public access to health and safety data on pesticides.

Sir Richard said he had decided to publish the report because he believed it was vital that the issues involved should be discussed as widely as possible.

The report, which had to be published under his authority alone because full discussion within the committee had been interrupted by the General Election, reflected as faithfully as possible the views of all its members, Sir Richard said. He acknowledged, however, that the report's draft recommendations might well have been watered down in committee discussion.

The report's 45 recommendations range from the call for a more centralised, independent and less secret system for controlling the use of pesticides to the demand for a temporary ban on some pesticides.

They include one, called Temik, which allegedly could destroy human immune systems in a way similar to the AIDS virus.

Yesterday, Sir Richard's decision was supported by the Labour members of the committee, including Miss Joan Maynard, who said she would have liked it to be much stronger.

Sir Richard said in reply to a question that he believed the report "sets the plimsoll line just one inch below the portholes."

Some support for Sir Richard's stand also came from Conservatives Mr David Harris and Mr Andrew Stewart, who said they favoured publication of the evidence, but not the recommendations.

However, both Mr Carlyle and Mr Marland made clear that they opposed both Sir Richard's "procedural" decision to publish the report and his conclusions.

Mr Carlyle for example, spoke of the "scaremongering" reports on Temik, maintaining that research had shown no grounds to ban the pesticide.

Mr Carlyle said he also believed that greater public access to pesticide data might threaten the confidentiality of agrochemical companies' research.

Yesterday, the Transport and General Workers Union welcomed the report as a breakthrough "because it acknowledges for the first time officially that there are gaps in the system of clearing and controlling pesticides for safe use."

However, the British Agrochemicals Association said that while it agreed with two thirds of the recommendations of the draft report, it deplored the committee's failure to come to agreed conclusions, particularly against the background of public controversy over the use of chemicals in agriculture. Similar sentiments were expressed by the UK Agricultural Supply Trades Association.

Commons Agricultural Committee, Second Special Report. The Effects of Pesticides on Human Health. HMSO £6.30.

Baker plans to end dons' security of tenure

By Michael Dixon, Education Correspondent

THE GOVERNMENT'S forthcoming Education Bill would remove university dons' long-standing immunity from being dismissed for poor performance in their jobs, Mr Kenneth Baker, Education Secretary, said yesterday.

He told the Commons that was puting into force the legislation to limit the job security of universities' and colleges' academic staff that had been under consideration for more than five years.

The move was promptly condemned by the Association of University Teachers' as greatly weakening the main defence of academic freedom in this country. "Tenure safeguards the holding and expression of independent and unpopular views without fear of victimisation and retribution," the association said.

Making dons liable to the sack if their employing institution ceases to have work for them or runs into financial hardship would apply only to academics recruited or changing their university or college after the bill becomes law.

However, the provision for firing dons who are unsatisfactory in their jobs would apply to all.

The provisions would affect every grant-aided university and similar institution in England, Scotland and Wales, from Oxford and Cambridge to Cranfield Institute of Technology and the Royal College of Art. Those in Northern Ireland could be brought under the legislation later by order in council.

Miss Diana Warwick, general secretary of the Association of University Teachers, said the timing of the move smacked of "high-handed action to facilitate the implementation of controversial short-term policies." Universities were already having severe difficulties in recruiting good academic staff which could only be worsened by the Government's "indefensible" proposals.

Action to suppress Spycatcher 'not futile'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Attorney-General denied yesterday that the US publication of Spycatcher, the memoirs of Mr Peter Wright, a former MI5 officer, had made it futile to continue stopping newspapers printing information emanating from Mr Wright.

Mr John Mummery, for Sir Patrick Mayhew, QC, the Attorney-General, told the Court of Appeal that only a trickle of copies of Spycatcher was coming into Britain.

"There is no commercial or organised distribution in this country. You can't go into your local bookshop and buy a copy of this book."

However, if newspapers were free to publish extracts from the book, they would be read by millions of people.

The Attorney-General was appealing against Wednesday's decision by Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, to lift temporary injunctions stopping the Guardian and Observer publishing Wright material and his refusal to renew an injunction preventing the Sunday Times serialising Spycatcher.

Sir Nicolas said that the law would be made an ass if the ban on newspapers remained now that the whole book had been published in the US.

The Appeal Court is expected to give its decision today.

Mr Mummery said Sir Nicolas had been inconsistent; after deciding the Attorney-General had an arguable case for a permanent injunction at the full trial of the action, based on the duty of confidentiality owed by members of the security service, he had gone on to "kill the case."

By lifting the injunctions, Sir Nicolas had destroyed any prospect of the Attorney-General being able to enforce that duty, Mr Mummery said.

"It really was a surrender on the Vice-Chancellor's part of the English court's jurisdiction to restrain breaches of confidence by publishers and newspapers."

Mr Mummery denied that the Government had taken no steps to try to stop Spycatcher infiltrating the UK. A partly successful - but damage - limitation exercise had been carried out as a result of contacting Pearsons, the owner of Viking Penguin, the US publisher of the book, he said.

Lord Blakenham, Pearson's chairman, had given an assurance that no Pearson company intended to publish or distribute Spycatcher in the UK.

Mr Mummery said that, if the Court of Appeal upheld Sir Nicolas's ruling, the Attorney-General might start fresh proceedings against The Sunday Times for an injunction based on breach of confidence, the original injunction against that newspaper having been based on contempt of court.

That, Mr Mummery said, would be because The Sunday Times was "more implicated" with Mr Wright, who had presumably authorised its serialisation of Spycatcher.

MR DALE Campbell-Savours, Labour MP for Workington, yesterday described the Treasury solicitors who tried to stop the publication of Mr Peter Wright's memoirs in the US, as desperate men who had resorted to bully-boy tactics, writes Ralph Atkins.

Earlier this week, Mr Campbell-Savours passed to The Independent newspaper copies of letters between Mr David Hogg, the assistant Treasury solicitor, and Lord Blakenham, chairman of Pearson, which controls Viking Penguin, the US publishing company.

In the letters, Mr Hogg tried to persuade Pearson, which publishes the Financial Times, to dismiss the directors of Viking Penguin if they published the Spycatcher book.

Mr Campbell-Savours described Lord Blakenham as "a man of substance" for standing up to bullying tactics.

BT sells exchange in City

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

BRITISH TELECOM, in a fresh move to reduce its London property holdings, is selling the telephone exchange at the corner of London Wall and Wood Street in the City to London and Edinburgh Trust for a price believed to be more than £50m.

London and Edinburg Trust, an expanding property developer with interests in financial services, competed at an informal tender held by De Groot Collis for the building, which is on a site of 40,500 sq ft.

The site is slightly smaller than that of Bracken House, home of the Financial Times, which was recently sold to Ohbayashi, the Japanese construction group, for £143m. The difference in the price is partly explained by the apparent absence of Japanese companies from the tender for teh telephone exchange.

The London Wall area, in the north of the City and outside the historic core with its severe planning constraints, is a favoured area for office expansion to meet the sustained pressure on space in the City.

London and Edinburgh Trust will not be able to take immediate advantaeg of the space shortage. Hillier Parker, its advisers, said yesterday that British Telecom would not vacate the building until 1990. Only then will the sale be completed.

Meanwhile, Hamilton Associates have been asl-ed to draw up a scheme for a new building ont he site. This is likely to contain about 250,000 sq ft of office space

Minehunter order goes to Vosper

By Kevin Brown, Transport Correspondent

VOSPER THORNYCROFT, the privatised warship builder, was yesterday awarded a £120m contract to build four minehunters for the Royal Navy.

The company said the order would provide work for 500 of its workforce of 2,000 until the early 1990s. About 700 workers have been made redundant in the last 10 months because of a shortage of orders.

Vosper, which is based in Southampton, was sold to its management in 1985 for £18.5m by British Shipbuilders as part of the Government's privatisation of naval shipyards.

The company was in competition for the minehunter order with Yarrow, the warship yard owned by GEC, but was expected to be awarded the contract because it had already built HMS Sandown, the first ship in this class.

Vosper also has orders for two Hunt class mine countermeasures vessels for the Royal Navy and is building three fast patrol craft for export.

The Sandown class ships will be single-role minehunters with glass-reinforced - plastic hulls and sophisticated sonar detention equipment.

Their wartime role would be to keep shipping lanes clear for merchant and naval vessels, and to protect the approach to the nuclear submarine base at Faslane, in Scotland.

NO 15—8/84

The Defence Ministry is understood to have advanced the order because of an offer by Vosper to build the ships at less than the projected cost if it was given the contract for all four vessels.

The price is believed to be some 25 per cent cheaper than the Hunt class vessels.

Mr Peter Usher, Vosper's managing director, said the order guaranteed the future of shipbuilding in the south of England. The company has invested more than £6m in computer-aided design and glass-reinforced plastic construction facilities.

Marathon may lay gas pipeline

BY LUCY KELLAWAY

MARATHON OIL of the US has joined the battle to build a gas-gathering pipeline for the central North Sea, which contains large, untapped reserves of gas condensate.

The company, which operates the Brae fields, yesterday confirmed that it was holding discussions with the Department of Energy for construction of a gas pipeline linking its recently installed Braed B platform to the shore.

Its scheme is an alternative to the more ambitious proposal put forward this year by BP, which envisages a pipeline from its Miller field in the north with a second leg joining its Montrose field in the south.

Meanwhile, other oil companies, including Amoco, are believed to be developing rival proposals for a pipeline in the area, while British Gas is considering building a line of its own.

The construction of a pipeline for the area is politically sensitive, as the availability of large quantities of domestic gas will affect the timing and extent of gas imports from Norway. Gas from the central North Sea might fill the supply shortage which British Gas faces in the early 1990s.

Marathon said yesterday that it had significant volumes of uncommitted "sour" gas in the central North Sea and needed a transport system to progress with its development plans. Marathon has suggested to the Government that two pipelines be built, one to carry "sour" gas from the Brae area, and the other for "sweet" gas from the south.

Although the economics of the scheme were justified by the Brae complex alone, Marathon said the pipeline would be built with enough spare capacity to carry gas from nearby fields. The company said it was discussing plans with other oil companies operating in the area.

TV-am warned over advertising

BY DAVID THOMAS

TV-AM, THE breakfast television station, has been warned by the Independent Broadcasting Authority to pay more attention to its legal obligation to keep advertising separate from programmes.

The IBA, the regulatory body for independent television, is particularly concerned about TV-am's programmes that feature authors or entertainers talking about their latest work.

The IBA has told TV-am to be more cautious in accepting stories from public-relations organisations and to ensure that its programmes do not break a section of the Broadcasting Act dealing with advertising.

That bans programmes supplied or suggested by an advertiser, as well as material "which could be reasonably supposed to have been included in the programme in return for payment."

The warning comes in the authority's mid-term review of TV-am, which is halfway through its eight-year contract.

TV-am, the Unlisted Securities Market company that reported a surge in profits in the year to the end of January with an 44 per cent growth in advertising, said it accepted all the points in the mid-term review.

Law Society endorses proposal to link courts

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE LAW SOCIETY has come down firmly in favour of wide-ranging recommendations for changes in court organisation and procedure proposed in the last of the consultation papers produced by the Civil Justice Review, initiated by Lord Hailsham.

The proposals have the support of Lord Havers, the Lord Chancellor, but are opposed by the judges.

The resolution of the General Council of the Law Society supporting the changes was adopted yesterday, less than 48 hours after the changes were attacked in public by Lord Lane, the Lord Chief Justice.

Lord Lane said the proposals were ill-considered and represented an attempt to emasculate the High Court and the circuit organisation.

One of the main planks of the proposals is a link between the County Court and the High Court, so that most cases would start in the County Court and only those presenting difficult legal issues would move to the High Court.

The society which represents 45,000 solicitors in England and Wales, has called for the present two-month summer law vacation, during which the High Court only deals with emergency matters, to be cut to one month. It suports reductions in the legth of the Christmas and Easter vacations

Legal body urges prison for computer 'hackers'

BY A. H. HERMANN

"HACKING" into computer systems, or picking up radiation signals from computers or word processors, should be punishable with up to five years' imprisonment if done with the intention of gaining advantage or causing damage, the Scottish Law Commission says.

The society yesterday published a report on computer crime after examining the subject at the request of the Law Society of Scotland.

Its report identifies several kinds of misuse of computers, but concludes that most fall under the existing provisions against fraud, theft, malicious mischief and vandalism.

The so-called "theft" of information is not covered by the criminal law as it stands because information is not generally regarded as property. However, the Law Commission recommends that provisions against "theft of information" should be included in a wider measure dealing with trade secrets and intellectual property.

The committee believes special measures are necessary for punishing unauthorised access to computer data or programmes when that enriches the hacker or is destined to cause damage to the firm or organisation concerned. Therefore, the commission distinguishes between hacking with criminal intent and the possibly harmful experiments of young people mainly interested in the intellectual challenge presented by hacking.

Scottish Law Commission, No 106. Report on Computer Crime. Cm 174. HMSO. £5.00.

More investment in science urged

By Fiona Thompson

BRITAIN needs a greater investment in science, Mr Kenneth Baker, Education and Science Secretary, was told yesterday.

A report from the Advisory Board for the Research Councils, which advises Mr Baker on the deployment of the national science budget, calls for spending increases of more than £100m, £130m and £165m in the three years 1988-89 to 1990-91.

The board says about £30m each year was needed to cushion the science budget from substantial cost increases; £44m rising to £106m was required to develop programmes for university research centres, strategic research programmes, research council restructuring and scientific manpower; and about £30m a year was needed to relieve chronic equipment problems.

Government seeks wind-power site

BY MAURICE SAMUELSON

THE GOVERNMENT may soon be seeking a large area of land, in Scotland or Cornwall, on which to construct Britain's first group of wind-powered electricity generators.

The decision, likely to be announced in the autumn, reflecst the increased emphasis that the Department of Energy, under Mr Cecil Parkinson, wants to devote to research on renewable forms of energy.

Mr Michael Spicer, the junior minister whose responsibilities cover electricity, coal and renewable sources of energy, is expected to disclose the Government's intentions when he commissions a 3-megaWatt wind generator in the Orkney Islands.

"We now have to decide, with industry and perhaps the Central Electricity Generating Board, on the establishment of a cluster of eight to ten big machines, each producing up to 3MW."

With the noisy machines standing at least 600 metres apart, a remote site will be sought to minimise the inconvenience to local people.

Wind power, with tidal and geothermal energy, has emerged with the highest marks from a sustained and wide-ranging series of Government-backed research projects into alternative energy.

Mr Spicer, who prefers the term "natural energy," also expects to announce a new phase of survey work in connection with the Severn Barrage project, the long-debated scheme to harness the tidal flows of the Severn Estuary to generate electricity.

Within the Energy Department, Mr Spicer is strengthening the team that deals with renewables and says it will be given a higher profile than in the past.

Previously, renewables were looked after by the minister in charge of the Energy Efficiency Office. However, the two have been split and the latter is part of the responsibilities of Mr Peter Morrison, the Minister of State for Energy, whose main areas are oil and gas.

Call to review Government aid for exporters

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE FOREIGN Office and the Department of Trade and Industry should undertake a "fundamental reappraisal" of the services they offer to exporters in order to make sure that they really meet the needs of business, the Commons Public Accounts Committee said yesterday.

In its latest report on government services to exporters, the committee said the two departments involved lacked a clear strategy for the promotion of exports, were not flexible enough in providing assistance and concentrated too much on providing services to large exporters instead of small business.

A review of the services offered should take account of such radical options as making exporters pay for promotion services, to help to determine the real level of demand for them — as well as the possibility of using private-sector businessmen as agents.

The committee said it was concerned that the Foreign Office had been slow to define precise objectives for export promotion carried out abroad, but the DTI should also provide clear terms of reference defining the scope and the extent of the service it requires.

The Foreign Office spends about 30 per cent of its resources — or just over £52m in 1985-86 — in providing services to exporters.

But in contrast to government policies aimed at helping small and medium-sized firms, too much effort was directed towards large exporters and too little attention owards developing additional export opportunities.

Export promotion consisted on the one hand of meeting demands from British firms for information and advice, and on the other of seeking out fresh opportunities. The committee was critical of the relative lack of priority given to the second task.

"We understand the emphasis placed on demand-led work, but we regret that it is at the expense of development work and a strategic approach to the provision of services to exporters," said the report.

"We are not convinced that the right balance is currently being achieved, and we recommend that the Foreign Office should carry out its export services in a more positive way as a means of achieving greater value for money."

Lloyd's re-registers underwriting agencies

BY NICK BUNKER

LLOYD'S OF London took another step towards regulatory reform yesterday by re-registering 234 of the insurance market's underwriting agencies as required by the 1982 act.

In May 1984, when the Council of Lloyd's passed its Underwriting Agents Bye-law, there were 308 agencies managing syndicates in the market or looking after the affairs of its members.

All had to re-register by Wednesday of this week, the fifth anniversary of the 1982 act's passage into law, if they were to stay in business at Lloyd's. The re-registration process laid down by the 1984 byelaw involved tests of competence, financial strength and compliance with the market's regulations.

Some small agencies were deregistered because they had merged, been acquired or been consolidated by a larger group.

The announcement also marked the completion of the divestment programme whereby insurance brokers had to dispose of their interests in managing agencies, which run Lloyd's syndicates. In all, 71 underwriting agencies were affected, Lloyd's said.

There are now 80 members' agencies acting as advisers to the market's 32,000 members, 59 managing agencies, and 95 that combine both functions, Lloyd's said.

Enterprise bodies 'help businesses to survive'

By Ian Hamilton Fazey

SMALL BUSINESSES that go to enterprise agencies for help at least double their chances of survival, according to the most comprehensive research yet done on the effectiveness of such bodies.

The key finding was that the failure rate for businesses helped by enterprise agencies is about one in six after three years. That compares with a national rate—based on VAT deregistrations—of one in three.

A similar conclusion resulted from a study within the main research of businesses started under the Enterprise Allowance Scheme, where would-be *entrepreneurs* receive £40 a week for their first year in business. The three-year survival rate of those who went to enterprise agencies for advice was twice that of those who did not.

The research was carried out by Enterprise Dynamics for Business in the Community. Its publication yesterday was paid for by Allied Lyons, Marks and Spencer, Barclays, Lloyds and NatWest banks.

Enterprise agencies have become one of the main means of encouraging small business growth. They started nine years ago as advice and counselling centres and there are now about 300, many modelled on the original, the Community of St Helens Trust.

Nearly all are supported by a mixture of private-sector, government and local authority money or help in kind.

The survey looked at 339 enterprises, all clients of the 114 agencies that were founded before 1984. There were 285 survivors, of which 241 had been start-ups.

The overall failure rate was 15.4 per cent but failure was less likely in areas of lower unemployment — where people were more likely to be starting up their own business out of choice. Limited companies had the lowest failure rate at 5.1 per cent, sole traders the highest at 20.1 per cent.

Another finding was that the smaller the business, the greater was the risk, with nearly one in three of the businesses that turned over less than £20,000 a year going under.

BANK PAPER ON REGULATING WHOLESALE MONEY MARKETS

'Grey book' puts rules in black and white

THE "*grey paper*" issued by the Bank of England yesterday establishes a regime for the regulation of the UK wholesale markets in sterling, foreign exchange and bullion. It also incorporates a London Code of Conduct to which all participants in those markets are expected to adhere.

The framework is being created as part of the overall restructuring of UK financial regulation in the wake of last year's Big Bang. The Bank of England was given specific responsibility for regulation of the wholesale markets by the new Financial Services Act, although the grey paper itself does not have statutory force.

The intention was to spare professional traders in the wholesale markets from the detailed regulatory requirements of the Securities and Investments Board in the retail investment markets.

The instruments covered by the grey paper include large sterling and foreign curency wholesale deposits, spot and (commercial) forward foreign exchange and bullion deals, commercial bills, and a number of other instruments defined as investments by the Financial Services Act.

Central to the new regime is a list of approved institutions that will be administered by the Bank. To be included, an applicant will have to satisfy the Bank that it is "fit and proper" by reason of its capital, managerial and operational resources its standards of business conduct and its reputation and standing, and that it has a regular business in the wholesale markets. They grey book lays out detailed criteria for the "fit and proper" test.

Applications for admission to the list may be made straight away, and the regime will be introduced at the end of this year.

Much of the grey paper is concerned with detailing the capital adequacy requirements for participants in the wholesale markets. All listed institutions will have to satisfy capital tests either by the Bank of England or by their own self-regulatory organisation, depending on the structure of their business. Foreign institutions may be regulated by the domestic authorities to reduce overlap. Distinctions will be made between those who act as principals and those who are brokers in the markets.

The Bank of England lays out detailed capital adequacy tests for both banks and non-banks, which are intended to be simple, prudent without being onerous, and as close as possible to those in other countries, notably the US.

They take a threefold approach: capital will be required to cover position risk, and settlement risk, and gearing will be limited to 100-to-one. The requirements are slightly different from those set out last week by the STB—there is no requirement for a capital equivalent to three months' expenditure, for example. But the Bank says that, broadly, their effect will be the same.

The requirement will be calculated on a weighting of assets according to their riskiness. Any institution that exceeds the gearing limit will immediately be required to explain the position to the Bank. If the reasons are not satisfactory, the institution will be told to scale back its operations or raise extra capital.

Because of the wider implications of the requirements, the Bank is also making some alterations to the previously set capital requirements for discount houses, gilt-edged dealers, and Stock Exchange money brokers.

The devisions will enable the discount houses to double their gearing from 40 times capital to 80 times capital in shorter maturities and from 15 to 25 times capital at the longer end. The risk weightings for gilt-edged dealers and money brokers will also be eased, enabling them to take larger positions for a given amount of capital. But reporting requirements will be tightened up.

Lesser capital requirements are also established by the grey paper for brokers in the wholesale markets.

The London Code of Conduct, which all participants must respect as a condition of listing, is intended to protect the City's name in the financial world and act as an explicit statement of principles, thereby helping to keep formal regulation to the minimum. It introduces the concept of "London instruments" that will be recognised as being issued subject to the code wherever they are traded.

The code is in several parts. It covers the "traditional markets" (sterling, foreign exchange, and currency deposits), swaps, gold and silver bullion, foreign currency assets markets, and newer instruments such as options.

It lays down the basis of relationships between participants and their customers, and emphasises the need for confidentiality and the elimination of conflicts of interest. It also includes detailed procedural rules for operations in the markets, bans gifts and favours, defines common market terminology

Although the code has been drawn up in consultation with market participants, the Bank welcomes further comments.

The regulation of the wholesale markets in sterling, foreign exchange and bullion. Bank of England, Threadneedle Street, London EC2R 8AH.

BNFL gives warning on low profitability

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITISH NUCLEAR Fuels set records in income and profits last year but gives a warning in its annual report that, at less than 10 per cent return, its profitability is too low.

Mr Christopher Harding, chairman, said BNFL would retain and expand its business in nuclear fuel services in competition with coal only if it could offer fully competitive prices.

"We still have a great deal to do to reduce our capital and operating costs, and to improve our profitability," he said.

He said that although BNFL's payroll grew last year to nearly 17,000, the company must expect some cut in its fuel manufacturing division as a result of delays and the shortfall in performance of the advanced gas-cooled reactors.

Mr Harding, summarising his first year as chairman, said turnover had reached a record level of £792m, compared with £629m the previous year, and profit had doubled to £89m.

BNFL is making further provisions of £64m, mainly for more improvements in waste management and effluent treatment.

Its capital investment programme for the next 10 years totals £4.5bn, mostly for the Sellafield plant in Cumbria, where the biggest single project—the £1.6bn thermal oxide reprocessing plant (Thorp)—is about one-third complete.

Its first stage, spent-fuel receipt and storage, is scheduled to come on stream next summer. Reprocessing is expected to start in 1992.

Sellafield earned £447m last year and exceeded all its production targets. It also secured what the company believes may be the biggest single contract ever placed for nuclear fuel services, worth £1.6bn, from the British electricity industry for reprocessing.

It also secured export orders worth £30m last year to supply uranium conversion services to several overseas companies. Exports last year totalled £152m.

At Capenhurst in Cheshire, BNFL has completed construction of a gas centrifuge uranium enrichment plant for the Ministry of Defence.

British Nuclear Fuels plc. Annual report and accounts 1986-87.

Amstrad launches improved word processor in US

BY DAVID THOMAS

AMSTRAD, the UK consumer electronics group, has launched its new word processor in the US ahead of its launch in the UK scheduled for September.

Amstrad's present word-processor range, the PCW8256, was the company's first significant venture into business products. It greatly expanded the word-processor market in the UK and on much of the Continent.

More than 750,000 have been sold since it was launched in autumn 1985.

Amstrad says its new word processor, the PCW9512, differs from the older range mainly in having a better printer, which it claims will be perfect letter quality. Amstrad therefore believes the new model's strongest market will be among companies.

Mr Malcolm Miller, Amstrad marketing director, said the company was launching the new word processor in the US first because of the timing of trade exhibitions.

It will cost $799 (£499). The UK price will be disclosed when the model is launched at a trade fair in London on September 23.

Ridley to decide on Dartford shopping centre

By Paul Cheeseright, Property Correspondent

KENT COUNTY Council has approved construction of a £250m shopping centre on the site of an old chalk quarry near Dartford.

Blue Circle Industries and Shearwater Property, the developers, said the matter would now be referred to Mr Nicholas Ridley, the Environment Secretary.

The difficulty for the Government is that the site is in a green belt area, where shopping developments are prohibited. But Dartford Borough Council, with the support of Kent County Council, plans to withdraw the land from the green belt this year.

Another scheme at Thurrock has been the subject of a planning inquiry. Mr Ian Pearce, managing director of Shearwater, said that all the economic planning for the Dartford Blue Water Park had been done on the assumption that Thurrock would go ahead.

Monopolies body urged to examine airline merger

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CIVIL Aviation Authority, the regulatory agency for the air transport industry, believes the best way to settle the many policy issues arising from the proposed merger of British Airways and British Caledonian Airways is through a referral to the Monopolies and Mergers Commission.

Mr Christopher Tugendhat, chairman of the authority, said in London yesterday that the proposed merger "raises important issues of airline competition and airports policy."

The whole thrust of the Government's policy in Britain and Continental Europe had been to encourage competition.

"Clearly the proposed merger of our two largest international scheduled service carriers has important implications for this policy," Mr Tugendhat said.

Airports policy issues were also involved, with BA, already dominant at Heathrow, acquiring a strong position at Gatwick.

"This leads in turn to the question of whether other British airlines will be able to survive in the new environment, other than in a client relationship with the merged airline," Mr Tugendhat said.

"As the principal regulatory body, the CAA is well placed to analyse the likely consequences of this takeover and give advice to the Director-General of Fair Trading, and it will be doing so."

He emphasised that the implications of the merger might lead the authority to revise its policies about licensing competition on international and domestic routes.

Mr Tugendhat added that the CAA's ability, acting alone, to influence the future shape of the UK industry in the circumstances created by the proposed takeover was circumscribed.

"That could be changed by legislation. Otherwise, the only mechanism to attach any conditions that may be needed to enable the merger to go ahead seems to be by way of a reference to the Monopolies and Mergers Commission."

British Island Airways said yesterday that it was applying to the CAA for rights to fly scheduled services between Gatwick and Manchester, Glasgow, Edinburgh and Jersey. At the same time, it was seeking revocation of the BCal licences on those routes.

The airline said: "The proposed takeover of BCal by BA, if it is allowed to go through, reduces competition on domestic routes, as the new airline would be able to operate these services from both the London airports."

"In BIA's application, the Government has an opportunity to demonstrate its belief in competition, as on these routes there are no international implications."

Mr Derek Davison, chairman of Britannia Airways, the UK's biggest airline after BA, said yesterday the Government should invest more power in the CAA and "rethink its airports policy in relation to the country's second scheduled hub airport."

Michael Donne looks at the issues raised by the plan to merge BA with BCal

Competition policy flies into turbulence

THE ISSUES for and against the proposed merger of British Airways and British Caledonian are now clarifying as submissions for both views now pour into the office of Sir Gordon Borrie, the director-general of Fair Trading.

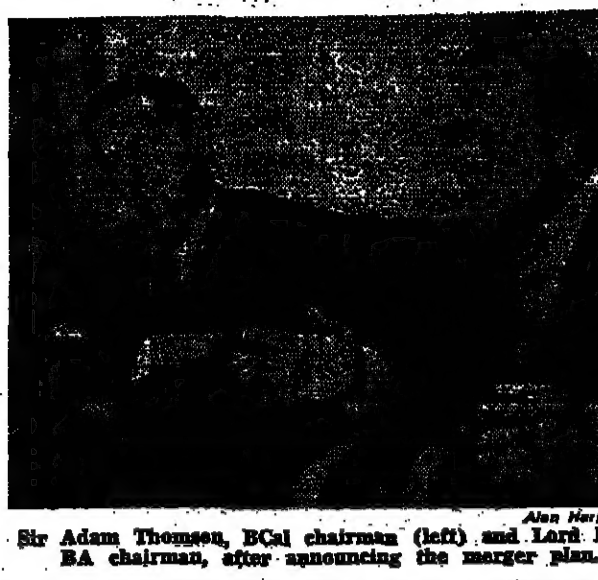
The fundamental question is whether the UK is prepared to abandon the concept, supported by successive governments, of a multi-airline industry, with its members competing not only among themselves but also with foreign airlines. Instead, will the concept of one large national airline capable of meeting the toughest foreign competition be adopted, with much smaller airlines scraping around for whatever work they can obtain?

If the answer is yes, the Government will approve the proposed merger, accepting that its past competition policy is dead. All it will have to do is ensure that some safeguards are provided for the "minnows," possibly tossing them those routes that BA/BCal does not want.

If the answer is no, however, the Government has to be prepared to kill the merger. That will mean accepting that it may have to support the newly privatised BA, perhaps even financially, in the bitter fight that lies ahead on international air routes. It would watch BCal at best merge with another operator, or at worst suffer financial losses and possibly go out of business.

The UK airline industry has never been so split as over this issue. Outside the industry, MPs and the National Consumer Council have expressed their concern at what they see as a crisis for the Government's civil aviation policy.

The BA/BCal view is that a bigger, stronger national airline is a vital prerequisite for the competitive battle ahead with foreign airlines. They point to the increasing inroads being made by the US mega-airlines on such routes as the North Atlantic and in Western Europe, where those airlines are increasingly exercising what are called "fifth freedom" rights. That is the right to pick up traffic in a country outside the US and set it down in another country.



Alan Harper

Sir Adam Thomson, BCal chairman (left) and Lord King, BA chairman, after announcing the merger plan.

BA and BCal argue that any referral to the Monopolies Commission will delay the merger, to the detriment of BCal's trading position. If the merger is rejected, BCal would be forced to seek other partners elsewhere.

BCal was in fact in negotiations with foreign interests (Alitalia and Union de Transports Aeriens in Europe as well as the US airlines American, Northwest and Texas Air) right up to the time the BA deal was announced.

BA argues that, without BCal, it might be obliged to seek other partnerships to achieve the "mega-carrier" status it believes is necessary.

It points to discussions already under way in Europe between rival airlines on possible collaboration and to the emergence of two groups pooling their computerised reservation systems. One comprises BA, KLM, Swissair and United of the US, while the other involves Lufthansa, Air France, Iberia and SAS.

Both BA and BCal are seeking to damp down claims that they will be so dominant in the UK industry that they swamp everyone else. They say that about half BCal's business is generated on routes BA does not fly, so duplication would be limited. They add that BCal does not have as much as a 20 per cent market share on any European route, so room remains for competition from other UK airlines.

Most of the independent airlines, led by Mr Harry Goodman's Air Europe (part of the International Leisure Group), recognise the argument for a stronger national airline on long-haul scheduled routes (other than Virgin Atlantic and Highland Express, none is involved in such routes).

But they believe strongly that on short-haul domestic and European scheduled routes, there is still an expanding role for the independents that should be encouraged in the public interest, especially if more liberal air transport is allowed to emerge within the EC.

They are concerned that, once merged, the mega-airline's market power—92 per cent of all the UK airlines' scheduled seat-miles flown—will be aimed as much against smaller UK airlines as against foreign competition. They point to what has happened in the US, where many smaller airlines have been gobbled up or forced out of business by the big carriers.

The independents feel, too, that the merger raises serious questions about traffic distribution at UK airports. The BA/BCal combine will dominate Gatwick as well as Heathrow, and that might lead to the independents being forced out to Stansted.

Another concern is the legality, and even morality, of transferring BCal's routes to BA, when those routes were awarded to promote competition between the two airlines.

For those reasons, the independents want to see the matter studied by the Monopolies Commission. Only the commission, the independents say, has the statutory power and the qualified staff to deal adequately with *all the issues*.

Air traffic control system to get £200m refit

BY OUR AEROSPACE CORRESPONDENT

THE Civil Aviation Authority is to spend £200m over the next five years re-equipping the air traffic control system in Britain, on top of the £125m spent over the past five years.

Mr Christopher Tugendhat, chairman of the authority, said yesterday the plans included the installation of a central computer at the London air traffic control centre at West Drayton, for which detailed design studies were well advanced.

Introducing the authority's annual report and accounts in London, Mr Tugendhat said recent reports of "air misses" and of disatisfaction among air traffic controllers had to be viewed against the overall statistics of the growth in air traffic.

The past year had seen a substantial increase in air traffic, breaking all previous records. The London ATC centre itself handled 977,700 aircraft movements, an increase of 6.6 per cent over the previous year, while Heathrow alone handled 317,600 fixed-wing aircraft, a 4 per cent rise, and Gatwick handled 173,300, a rise of 5 per cent.

Outside the London area, Manchester airport handled 113,250 flights, a rise of 16 per cent, while Glasgow handled 99,200 flights, a rise of 13 per cent.

"These increases in the volume of traffic imposed considerable pressures on all the air traffic control staff, who nevertheless rose to the challenge with great professionalism," said Mr Tugendhat.

"Furthermore, in a year in which the National Air Traffic Control Service units handled more traffic than ever before, the trend of risk-bearing air misses involving commercial aircraft continued downward," he said.

The number of public-transport aircraft involved in such air misses had declined from 45 in 1977 to 16 in 1986, although traffic had increased.

Equipment being introduced incorporated for the first time a "conflict alert capability" (warning of the possibility of air misses or collision hazards) at Oceanic Control Centre at Prestwick for dealing with North Atlantic traffic.

Other improvements would include improved radars and upgrading the facilities at West Drayton, one of which would be a new central computer "for which detailed design studies are well under way."

In other areas of aviation safety, Mr Tugendhat said the authority was pressing ahead with research to establish safer standards for helicopter operations, with fire-resistant seats in UK-registered aircraft, and with the possible introduction of smoke hoods on all UK passenger aircraft, for use in case fire caused intense smoke in passenger cabins.

The authority's accounts for the year to March 31 last, show a profit of £9.7m against £6.8m in the *previous* year.

Demand 'threat to economy'

BY JANET BUSH

A RELATIVELY optimistic outlook for the British economy could be threatened by fast-expanding domestic demand and, more seriously, by world imbalances that could lead to a furthere severe fall in the dollar, according to Oxford Economic Forecasting.

In its latest forecast, it said the economy appeared to have entered a phase of more rapid growth and inflationary pressures could build up as companies which were already running near full capacity, were unable to respond.

Mitigating that argument, however, was evidence from direct contcat with companies suggesting that, except in one or two sectors, spare capacity was still available. The group also forecasts a strong pick-up in investment in the next two years that should allow domestic producers to meet a significant proportion of demand in the longer term.

It sees an 8 per cent rise in private investment in 1987 compared with 1986 and a 7.3 per cent increase in 198.

The current account is forecast to show a small £800m surplus in 1987 followed by an £800m deficit next year. Exports of goods and services are forecast to rise by 6.2 per cent this year and 3.4 per cent next year, while imports are seen increasing by 5.1 per cent and 6.6 per cent respectively.

With gross domestic product forecast to grow by 3.4 per cent this year compared with last (and 3.8 per cent excluding *oil), the group sees a risk of a* pick-up in wage inflation, reinforced by the continuing high growth in domestic credit and the surge in house prices, particularly in the south-east of England, but still remains relatively sanguine.

The recent rise in the underlying rate of average earnings was, it said, due to a rise in the amount of overtime worked. Any inflationary consequences should be alleviated by the current high rates of growth of output per head.

The group forecasts retail price inflation at an average of 4.2 per cent this year and 4.3 per cent in 1988.

It sees the downward trend in unemployment faltering temporarily in 1988-89 as output growth slowed.

The most serious risk to the *overall outlook is any further* severe dollar decline and a slowdown in world economic activity.

More computer graduates needed

BY CHARLES LEADBEATER, LABOUR STAFF

THE NUMBER of computer science graduates will have to be increased by at least 30 per cent over the next few years to prevent a worsening of information technology skills shortages, according to a report published yesterday.

The report, published by the Federation of Recruitment and Employment Services, says there is already a 15 per cent shortfall in computer science graduates. With demand expected to grow by 15 per cent a year, that will require a significant expansion in computer science courses. About 6,000 students graduate in computer science each year.

The report, based on contacts with 300 companies and detailed interviews with 21, says graduates generally have to be completely retrained both in the systems they will work with and in general business knowledge.

The companies interviewed included IBM (UK), Marks and Spencer, British Airways, Midland Bank, British Telecom and the BP Group. The federation represents 1,500 private employment service companies.

A significant proportion of information technology graduates go to the Cit. That has exacerbated the shortfall in manufacturing, which is unable to compete with salaries in the financial sector.

Employers will also have to build up the information technology skills of a broader range of employees as they introduce computer systems intended for general use.

Demand for teachers capable of running companies' own training is also rising, the report says. There are also shortfalls of information technology professionals with an understanding of the business needs of users, and managers able to use the technology to create business opportunities.

The acute skills shortages are worsened by the reluctance of companies to invest in training for fear that staff will be poached by other companies.

Preliminary Report of the Training Skills Committee Computer Section SRES, 19-21 Great Portland Street, London W1N 5DB.

Standard Life backs personal pensions

BY ERIC SHORT

IT IS generally financially attractive for young employees to come out of their employer's company pension scheme and take a personal pension if the employer's scheme provides final salary-based benefits.

That is the advice given by Standard Life, one of the largest mutual life companies in the UK, in its information video, Pensions: Your Choice.

It is certain to arouse controversy within the pensions industry, particularly from self-administered company schemes.

The National Association of Pension Funds is running a campaign with the underlying aim of preventing an exodus of young employees from schemes, using the theme, Can you really beat a pension that comes with your job?

The Standard Life video sets out to offer an objective guide to the options available to employees under the 1986 Social Security Act.

It weighs up the advantages and disadvantages of company pensions, personal pensions and the State Earnings-Related Pension Scheme (Serps).

Serps benefits older employees, according to the video. But company pension schemes make choice more difficult, especially for younger employees. Mr Tom King, marketing director of Standard Life, said benefit calculations made personal pensions generally a better choice for younger employees, unless the company scheme was on a money-purchase basis.

Mr King said Standard Life was one of the largest life companies in the insured company pension sector and intended to get its share of the new personal pensions market.

Sharp rise in consumer spending

By Janet Bush

CONSUMER spending rose sharply in the three months from April to June compared with the first quarter of the year, according to preliminary figures released yesterday by the Central Statistical Office.

Spending was estimated to have been 1.7 per cent higher than in the period from January to March and 3.5 per cent up on the second quarter of last year.

CSO officials said the rise clearly reflected buoyant retail sales in Britain's high streets in recent months, a trend confirmed by figures released this week that showed a 3.1 per cent increase in sales volumes in June. That gave a rise in sales volumes in the second quarter of 2.5 per cent compared with the January to March period.

Consumers' expenditure, seasonally adjusted at 1980 prices, totalled £41.2bn in the three months from April to June compared with £40.5bn in January to March, according to the CSO figures, which are subject to revision.

Spending power is likely to be increased further this year as the full effects of income tax cuts announced in the Budget and mortgage rate cuts come through, and as earnings continue to rise faster than the rate of inflation.

The latest trade figures for May, released on Wednesday, showed a surge of non-oil imports of about 10 per cent with the increase concentrated in the consumer goods sector.

Advertising agencies back radio expansion

By Feona McEwan

ADVERTISING agencies have backed the Government's proposal for new commercial radio networks but say three will be needed to widen programme choice and so atract advertising revenues.

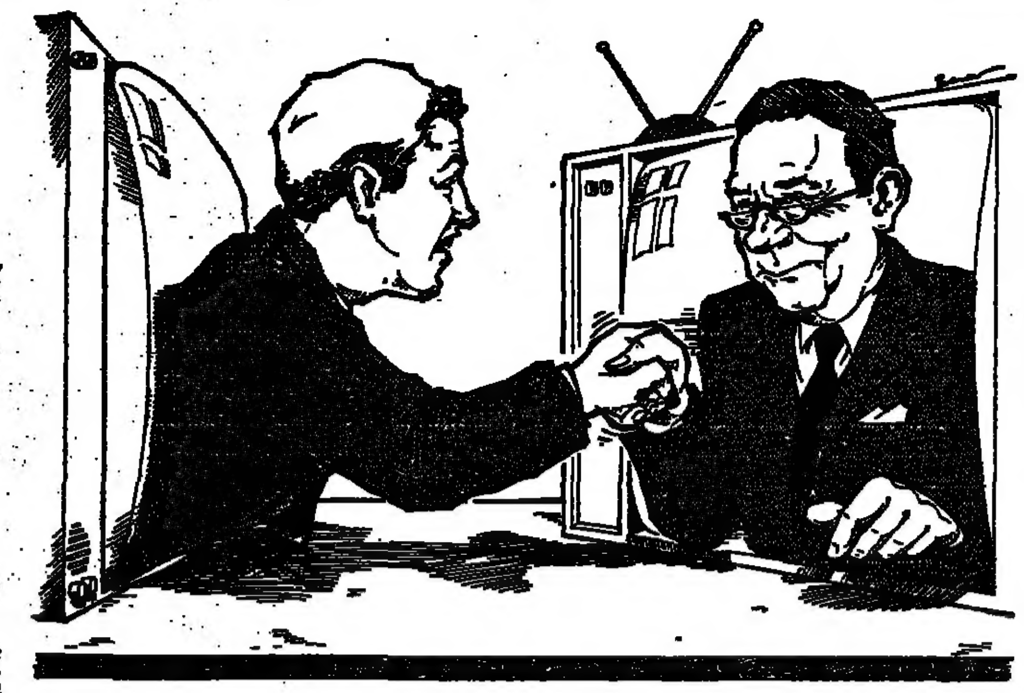
In its submission to the Home Office on its green paper on the future of UK radio, the Institute of Practitioners in Advertising outlines its views on the content of thenew networks.

They are: a youth-orientated music service; a music and sport service; a news and current affairs station.

The IPA also calls for a new radio authority, an expanded independent local radio sector and a more relaxed line on radio sponsorship.

Face to face through Ford's window on the world

Video conferences are set to play a stronger role in business. Ralph Atkins examines the experience of the company which pioneered the use of such equipment in Europe



FROM a small conference room in Dunton, Essex, engineers at Ford of Europe's research and development centre can see the world.

Video links the centre with colleagues at Ford of Europe's other research centre in Germany—and with any other part of the world where the company has access to a video studio.

The system, Ford claims, saves time and stress for employees and has speeded-up its decision-making process. It has also led to participants developing a new skill—the art of videoconferencing.

The first private video conference studio in the UK was set up by Ford in 1984. Now there are about 30 with major users including the Royal Bank of Scotland, BP and Shell.

In the early stages high installation and running costs restricted the technology to large companies which needed frequent "face-to-face" meetings between colleagues on distant sites.

But recent developments in videoconferencing technology should make the medium more accessible to smaller companies.

On July 1 British Telecom introduced its Switched Videoconferencing Service. This allows private in-house studios to be linked with public studios and private studios owned by other companies — removing the need to set up a complete network for private use.

At the same time videoconferencing equipment is being developed with as good picture quality but using signals carrying less information per second—meaning lower running costs.

The problem is seeking a consensus on equipment specification between manufacturers in Europe and rivals in the US. Until an agreement is signed, users will have to gamble on which system will eventually be adopted as the world standard.

If videoconferencing is to become more widespread, Ford's three years experience could provide some useful lessons to other companies.

The company uses five Sony video cameras in a room that can seat seven comfortably but often takes 10 or 11. Its Codec—which translates the outgoing and incoming signals into pictures—is manufactured by GEC.

It is not a large room but it is air conditioned and the cameras operate at normal light levels.

It has no windows. Instead there are two monitors each showing up to three people. One is for the outgoing picture. The other is a window into the other studio, usually in Cologne but increasingly in the US or other parts of the world.

The studio cost about £100,000 to set up. Fixed overhead costs per year, including the leasing of lines from British Telecom, are also around £100,000.

On top of this Ford pays about £800 a hour, shared between the two studios, to hire the satellite link. It has four regular hours booked through British Telecom each day.

With microphones hanging from the ceiling, and cameras and other equipment arranged around the room it is hard to think of it as anything other than a studio. But it is a novelty for only a short time.

"People do not rush in and think they are going to be on television. They think they are going to have a meeting," says Miss Chris Raine, studio administrator at Ford's Dunton centre.

The company's experience is that employees quickly overcome inhibitions about appearing on a TV screen. Within a short time the electronic pictures from abroad become equal members of the meeting.

There are a lot of similarities with a face-to-face meeting. Documents can be shown using a camera suspended over a white table. Another is used to show in detail objects such as engine parts.

A third camera is used to pre-record videos of items that cannot easily be moved. Diagrams can be drawn on a four colour electronic "white board" which reproduces the design in both studios.

There is no feeling of "them" and "us." Participants can interrupt the conversation at any stage and be heard in both studios. If they do not appear on the screen the chairman can switch cameras so it is clear who is speaking.

Hand gestures and facial expressions can be part of the conversation and are particularly important when there is a language barrier.

Unlike a meeting where participants have travelled long distances to meet each other, it is easy to send out for additional items, documents or people to be brought into the discussion.

But videoconferencing requires some special skills.

Time is limited and satellite bookings have to be strictly adhered to. The chairman must also prevent the blinkered vision of cameras from leaving some participants out of the conversation.

This needs good meeting management. Ford's guidelines for chairmen recommends each participant introduces himself at the beginning of the conference. Contributors should then have a strictly equal hearing.

Participants must also get used to the less than perfect sound system. In each room the loudspeakers broadcast sounds from the other studio. Without an echo cancelling device this signal would be sent back to where it originated from via the microphones.

For full two-way conversations only talk originating from each studio should be transmitted. The problem is that the cancelling device tends also to cut out part of the signal that needs to be heard.

This handicap is exacerbated by a slight pause as the signal makes its 50,000-mile journey between studios via the satellite.

The advantages of video conferencing over travelling for face-to-face meetings comes not so much from cost savings but from less quantifiable benefits.

For Ford it has led to better communication in its research and development wing which, for historical reasons, has been split between two countries.

Improved communication means an accelerated decision making process—something Ford feels is vital if it is to compete with Japan where the subsidiaries and suppliers of vehicle manufacturers are often sited close together.

The company has its own heavily-used airline which operates two flights a day to Germany from nearby Stansted airport. But video conferences can be arranged at short notice—often within hours.

They also reduce stress and save time for employees. Before, conferences might have been limited to two or three key people from each side. Now a team of perhaps a dozen can be involved.

"It is just another standard facility," says Graham Fretwell, video conference organiser at Ford of Europe, Essex. "It is not a gimmick any more."

The present system uses two-megabit links—transmitting 2m digital pulses a second. Ford is now looking to expand its network of studios with more advanced Codecs that maintain picture quality but at a lower and cheaper bit rate.

It plans a new generation of video conference rooms which could be linked with one, two or more other studios.

The development of an extended network of studios is likely to be greeted enthusiastically by Ford of Europe's employees, for videoconferencing has been welcomed as a useful tool for engineers, managers, accountants and secretaries alike.

Miss Chris Raine, who books and supervises the conferences, finds little resentment to the system.

"The only disadvantage you hear people carping on about is that they do not get their duty frees."

Winter warmer put to test by Nato

NATO FORCES in a number of northern European countries have been testing a personal heating device called Heatpac made by Standard Telefon og Kabelfabrik (STK) in Norway.

The unit, smaller than a shoe box, is worn round the waist and is largely made from a stiffened, super-tough glass-reinforced polyster, called Rynite and supplied by Du Pont. Heatpac creates heat by burning charcoal in a metal lined combustion chamber. Warm air (the temperature can be regulated between 45 deg C and 70 deg C) is circulated by the unit's battery-driven fan inside clothing or sleeping bag. A small amount of combustion air keeps the charcoal glowing and exhaust gases are cleaned by a catalyst and then evacuated from the unit through an exhaust tube.

Although initially developed for military use, Heatpac is likely to find favour with others working in very cold climates. It is under consideration by the Red Cross for use by the elderly and handicapped.

Clean shot from Swedish blast gun

UNITECH SWEDEN of Gothenburg has developed a hand-held blasting gun which—by re-cycling the abrasive blasting material—allows rust and paint to be removed without making clouds of dust.

The gun has a soft re-cycling nozzle which is pressed tightly against the work area and the abrasive is recirculated via a filter. Since little abrasive is lost, the use of harder, more effective, but more costly blasting materials like aluminium silicate can be used.

Spreading the word on Siemens telexes

SIEMENS, THE West German electrical and electronics group, which claims that its telex equipment is in over a third of the world's installations, has introduced a new range of machines which incorporate word processing and other electronic assistance for the telex operator.

The T-1200, in its screen-based version, allows the creation of up to 10 text "modules," enabling frequently-used passages to be inserted at the press of a key. Also provided are extensive telex handling facilities including manual or automatic calling, multi-addressing of telexes, and the ability to prepare outgoing messages while others are coming in. The T-1200 can hold 115 pages of text and is also available with a *single line display instead* of the screen.

Facsimiles on the up and up

AN UNUSUAL facsimile machine from Konica U-Bix of Basildon, UK, has an upright construction instead of lying flat on the bench, thereby taking up less space on the desk top.

The model K190 costs £1,890 and transmits an A4 document in 18 secs. It also has an auto-dialler that will remember the 32 most commonly used transmission numbers.

WORTH WATCHING

Edited by Geoffrey Charlish

Contamination kept under glass

TESTS HAVE been carried out by Battelle, the US research organisation, on the process known as in-situ vitrification, in which areas of contaminated soil can be turned into glass. The technique involves melting the soil, between electrodes placed in the ground around the area, by passing large electrical currents through it.

The idea is to seal radioactive or other contaminants into the glass. Organic (plant and animal) materials are destroyed by the high temperatures while the inorganic (metallic, mineral) constituents are evenly distributed throughout the molten mass.

Laboratory experiments have shown that the solidified glass will retain radioactive materials within its structure for 10,000 years, effectively preventing the materials from entering the environment by erosion or by intake by plants or animals.

US factories' terms of reference

THE SOCIETY of Manufacturing Engineers (SME) in the US has published a 130-page hardcover book called Dictionary of Manufacturing Terms.

The dictionary, which costs $19.50 in the US, explains over 3,000 terms and acronyms covering most aspects of manufacturing, including those involving *computerisation.*

Taking shape on the inside

CHECKING internal shapes like threaded holes in engineering components is a difficult task for inspectors because the usual method for external checking, the shadowgraph, is obviously not feasible.

Mining & Chemical Products of Wembley in the UK believes that the usual method of casting the shape in epoxy resin or wax is rarely completely successful because these materials can be unstable and may not exactly replicate the shape.

The company is therefore promoting a technique in which a bismuth-based alloy with a melting point of only 137 deg C is used to cast a replica of the internal shape. The fluid nature of the molten alloy produces a complete and very precise casting with fine reproduction of detail and fine finish. In the case of an internally threaded hole, the alloy plug is simply unscrewed and then examined in the normal way. After each check, the plug is melted down and used again.

CONTACTS:

Battelle: London office, 493 0184. Konica Business Machines (UK): 0268 27872. Siemens: UK office, 0932 785691. Unitech Sweden: Sweden, 31 841299. STK: Norway, 2 638800. SME: US, (313 271 1500. Mining & Chemical Products: London 902 1191.

Until a car is produced that's impossible to lock yourself out of.

Until a car is produced that will never have a flat battery.

Until a car is produced that will never run out of petrol.

Until a car is produced that will never have a punctured tyre.

Until then.

There's a part that should be fitted onto every car that's made.

FT LAW REPORTS

Public policy issue to be decided by English court

EI DU PONT DE NEMOURS AND CO AND ANOTHER v IC AGNEW AND OTHERS
Court of Appeal (Lord Justice Fox, Lord Justice Neill and Lord Justice Bingham):
July 21, 1987

THE ENGLISH court is the appropriate forum to hear an action in which the primary question is whether English public policy precludes an assured from recovering indemnity for punitive damages awarded against him in a product liability claim.

The Court of Appeal so held when dismissing appeals by defendant insurers, IC Agnew and others, from Mr Justice Steyn's decision refusing to stay actions brought against them by the assureds, EI Du Pont de Nemours and Endo Laboratories Inc, for indemnity under product liability policies.

LORD JUSTICE BINGHAM said that in February 1977 Mr George Chelos was given the anti-coagulant drug, Coumadin. Necrosis then developed in both his legs, which had to be amputated below the knee.

He began proceedings in Illinois against Endo, who had marketed and supplied the drug. Endo merged with its parent company, Du Pont, in 1983, and in 1985 Mr Chelos joined Du Pont as defendant.

Mr Chelos alleged not only negligence in manufacturing, distributing and selling the drug, but also wilful and wanton misconduct. He was awarded $13,172,240 compensatory damages and $26,083,000 punitive damages.

On review in December 1986 the punitive damages award was reduced to $13m. Further challenges to the verdict and award were in train in Illinois. Mr Chelos died in January 1987.

Du Pont and Endo were insured against product liability claims. The defendants in the present action were all insurers who wrote parts of the risk.

The underwriters sought determination of their liability in Illinois and the assureds wished the issue to be resolved in the UK.

The reason was that public policy in Illinois precluded or might preclude indemnification of an assured against an award of punitive damages based on his personal as opposed to vicarious liability. It appeared that for that purpose a corporation was regarded as personally rather than vicariously liable for the acts of its senior management.

Since punitive damages were awarded to punish a defendant for grossly reprehensible conduct, it was said to be contrary to Illinois public policy that he should escape punishment where the fault was personal to him, by obtaining indemnity from his insurer.

On March 24 1986, four days after Mr Chelos had obtained judgment in Illinois, Du Pont and Endo launched the present action for indemnity against the insurers. On April 28 the insurers began proceedings in Illinois against Du Pont and Endo seeking a declaration that they were not bound to indemnify them against punitive damages, and seeking an injunction to restrain the English proceedings.

In the present action the defendant insurers applied to stay the action on the ground of *forum non conveniens*. Mr Justice Steyn dismissed the applications. The insurers now *appealed*.

Mr Justice Steyn directed himself in accordance with the test laid down in *MacShannon [1978] AC 795,812A* and relied on in the *Abidin Daver [1984] AC 398, 419F*. He concluded that a stay would deprive Du Pont and Endo of a substantial and legitimate juridical advantage, namely the opportunity to pursue their claim in a forum where the insurers' defence based on public policy might be much less strong than that in Illinois.

He accordingly *dismissed* the defendants' application without finding it necessary to consider whether *Illinois* was a more natural and appropriate forum than England for the hearing of the insurance litigation. In the case of foreign-based insurers he held that the court had jurisdiction to order service out of the jurisdiction because the relevant policies were governed by English law.

The judge made his decision before the House of Lords decision in the *Spiliada [1986] 3 WLR 972*. There *Lord Goff* said that "the bsic principle is that a stay will only be granted on the ground of *forum non conveniens* where the court is satisfied that there is some other forum, having competent jurisdiction, which is the appropriate forum. . . ."

The correct approach was to compare the relative appropriateness of the English court with the competing foreign forum for just trial of the action. Whether a stay would deprive the plaintiff of a legitimate personal or juridical advantage was less important than was once thought.

The insurance with which the case was concerned was in two layers, a first excess layer of $15m excess of $5m, and second excess layer of $35m excess of $20m.

The proper law of the lead policy for both layers of insurance was English law. It was a Lloyd's policy negotiated by Lloyd's brokers and issued by London. Notice of potential claims was to be given to Lloyd's brokers. The policy was for world-wide cover.

Unless displaced, the inference that English law was intended to govern was overwhelming.

The factors relied on as displacing the inference were (a) the plethora of American references in the policy, and (b) a service of suit clause by which it was agreed that should the underwriters fail to pay, service of suit against them might be made on New York agents, and they would submit to the jurisdiction of a US court.

There was a plethora of American references, but none of them pointed towards any particular *State* of the Union, and the policy's coverage was worldwide. They were not weighty pointers towards the proper law.

The service of suit clause did contain a reference to New York, which was the proper law for which the insurers contended. A clause of this type was not inconsistent with English proper law. The drafting appeared to contemplate that the proper law might float until exercise of an option by the insured, but that was not a concept to which an English court could give effect, since the rights and obligations of contracting parties crystallised when a contract was made.

The intended effect of the clause, which provided for determination of disputes in accordance with the law of the court in which the insurer was sued, did not suggest that the law of any State of the Union was already the proper law. Provision for service on New York agents did not support that inference, because service might be made on them no matter in which State the suit was brought.

Illinois was the place where the tort was committed, where Mr Chelos suffered his injury, where he brought his action and the award giving rise to the litigation was made. But Du Pont was a Delaware corporation and Endo was a New York corporation. None of the insurers was incorporated in Illinois, and none of the policies was broked there.

None of those points showed Illinois to be clearly more or less appropriate than England for the just trial of the action.

It was not possible to reach any firm view on relative appropriateness without consideration of the main issues in the action. They were: whether there had been an occurrence within the policy cover, whether the claim fell within a policy exclusion, and whether entitlement to indemnity was defeated by public policy.

Determination of the first issue would depend largely on written examination of written record. The Illinois forum had some edge, but the advantage was not substantial. The second issue could be resolved equally well and easily in either forum.

On the third issue the primary question would concern a corporation's right to indemnity against punitive damages.

There was one factor which was heavily in favour of the English forum. Du Pont's and Endo's policies were goverened by English law. They were accordingly entitled to such indemnity as English law afforded them on a proper construction of the policies.

The English court was necssarily better placed than any other to rule on that question. Du Pont and Endo had been convicted of no crime, and charged with none. There was no decided authority in English law which denied them an indemnity.

If English public policy was to be held to deny the right to indemnity in those circumstances, then the English court, and no other, must so hold.

The primary question was the effect of the contract as a matter of English public policy. That was a question which no foreign judge could conscientiously resolve with any confidence that he was reaching a correct answer.

The appeals were dismissed.

Lord Justice Neill and Lord Justice Fox agreed.

By Rachel Davies
Barrister

LAW

● FT LAW REPORTS

Laytime does not arise through shipowners' breach

MOBIL SHIPPING AND TRANSPORTATION v SHELL EASTERN PETROLEUM (PTE) LTD

Queen's Bench Division: Mr Adrian Hamilton QC sitting as a deputy High Court judge: July 2 1987

SHIPOWNERS WHO are in breach of charter through their master's failure to sign an original bill of lading for carriage to consignees, cannot invoke an indemnity clause requiring the charterer to indemnify them against loss caused by discharge without presentation of a signed original bill; and accordingly, delay caused by their refusal to discharge without the charterer's letter of indemnity does not count against laytime.

Mr Adrian Hamilton, QC, sitting as a deputy High Court judge, so held when dismissing a claim by shipowners, Mobil Shipping and Transportation Co, against the charterers Shell Eastern Petroleum (PTE) Ltd, for time lost in discharging the Mobil Courage.

HIS LORDSHIP said that under a voyage charterparty in the Shellvoy 4 form, Shell chartered the Mobil Courage from Mobil for a voyage from Singapore to India.

The charterparty, dated April 21 1984, contained a "Mobil indemnity clause." It provided that if original bills of lading were not available when the vessel arrived at port of discharge, charterers should have a right to demand discharge without presenting original bills, on condition that they undertook to keep the owners indemnified against resulting claims and losses.

Clause 14(c) of the charter provided that time should not count against laytime when lost as a result of the owners' breach of charter. Clause 29(1) provided that the charterers might require the master to sign lawful bills of lading for any cargo.

Although the number of original bills of lading in a set varied, it was most common for there to be three, and was expressly provided in the present case. It was common practice in the oil industry for a charterer to send an original negotiable bill to the consignee via the master. Though this was frowned on by Mobil's lawyers it was common ground that a vessel was bound to discharge against an original bill carried on board.

The vessel completed loading on April 24. Shell's water clerk, a Mr Chiok, came on board with three bundles of documents. Some were to be taken away by him after being signed by the master, some to be left with the master, and some to be carried to the consignee.

All three bundles were handed to the master. He signed original and duplicate bills of lading in the first bundle. Each attested that he had affirmed three bills. He recorded receipt of various documents, acknowledging one triplicate bill of lading for the consignees. He then handed the first bundle back to Mr Chiok.

The triplicate was presented to the master for signature with the next bundle. He realised that at the time, but was anxious to get away. He said he would sign it on his way, and agreed to deliver it to the consignee.

The vessel left and the master forgot to sign the triplicate. Mobil was therefore in breach of clause 29(1) of the charterparty.

At Madras notice of readiness was given on April 30. Discharge ought to have been straightforward. The triplicate bill of lading should have been signed by the master and delivered to the consignees, who would have presented it to obtain discharge.

Before the vessel reached Madras, however, Mobil asked Shell if it intended to invoke the Mobil Indemnity clause. Shell, relying on the master's receipt of documents, replied that there was an original bill of lading on board, and asked for Mobil to ensure that it would be handed to the consignees. It threatened Mobil with liability for all delays if the master failed to hand over the original bill.

Mobil told Shell it would not discharge against an original bill of lading carried on board; and that if no original was presented it required indemnification under the Mobil Indemnity clause. By telex on May 7 it made clear to Shell that there was not a signed triplicate on board. Shell maintained there was an original (the triplicate) on board, and required the master to deliver it to the consignees.

The consignees boarded the vessel on its arrival and were shown that the triplicate was unsigned. They asked the master to sign it but he refused, consistently with his instructions from Mobil. He was told not to discharge without an original signed bill of lading and a letter of indemnity.

The consignees presented their own letter of indemnity and required discharge. Mobil refused and insisted on a Shell letter of indemnity.

Shell would not provide any letter of indemnity. It arranged for the original and duplicate bills to be sent to Madras, and the vessel had to leave her berth. The original bill was presented on May 10, but discharge was delayed by absence of a berth until May 21.

From May 2 onwards the consignees and the master knew that the triplicate was unsigned. At that stage Shell did not know that. It relied, entirely reasonably, on the statements in the signed original and duplicate bills and the master's receipt of documents.

Mobil was in breach of clause 29(1) when the master failed to sign the triplicate. He should have signed it when the vessel was clear of Singapore. If he forgot to do it then, he could properly have signed it at any time, including when he was asked to sign it at Madras by the consignees.

There was no impediment to the late signature of a triplicate bill in identical terms to the original and *duplicate* already signed, particularly when it was agreed between the water clerk and the master that it should be signed during the voyage.

The result of Mobil's breach of the charterparty was that there was no signed negotiable bill in Madras, and that prevented discharge. Consequently, time lost was the result of Mobil's breach and, under clause 14(c), did not count against laytime.

In the light of the master's agreement to sign on the voyage Mr Chiok was entitled to believe that the triplicate would be signed within hours of the vessel leaving Singapore. Shell relied on the master's representations as showing that there was a signed negotiable triplicate bill of lading on board, which he had agreed to deliver to the consignees.

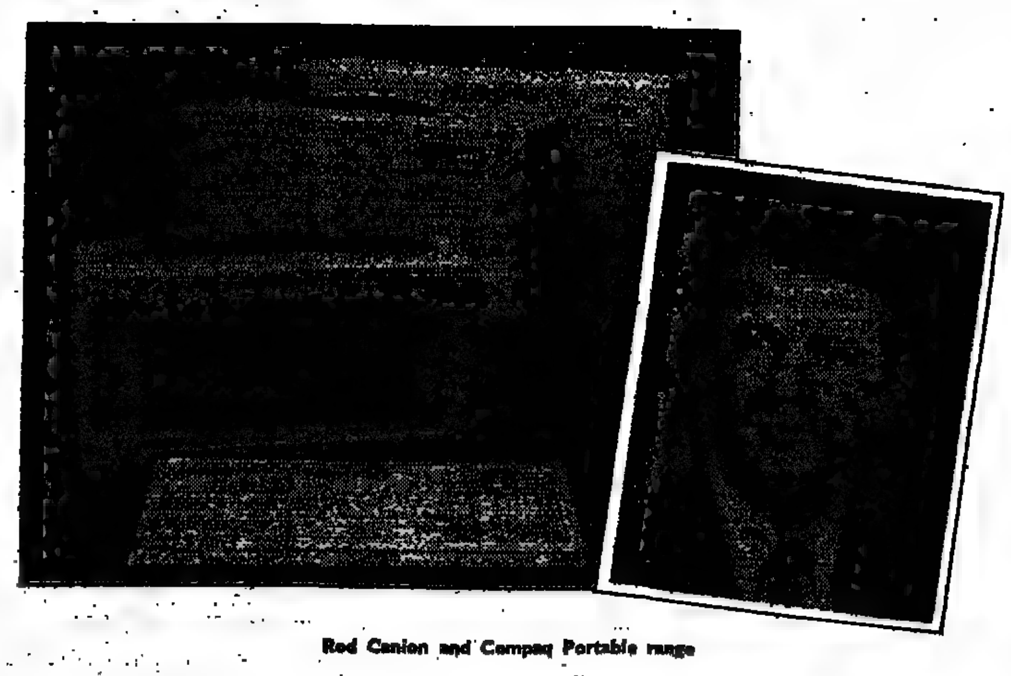
Mobil would therefore in any case be stopped from denying as against Shell that the triplicate was signed.

Mobil's claim failed.

For Mobil: Simon Gault (Metson Cross & Co)

For Shell: Bernard Eder (Middleton Potts & Co).

By Rachel Davies
Barrister



Rod Canion and Compaq Portable range

Why Compaq will not be frozen out

James Buxton on the US computer giant's latest challenge to IBM

A NEW ACRONYM has joined the hundreds that infest the world of personal computers. It is FUD and it stands for Fear, Uncertainty and Doubt.

FUD is what International Business Machines is spreading in the world personal computer market with its new range of personal computers, the Personal System/2—according, that is, to its rivals. The PS/2 was launched in April to replace IBM's first and highly successful personal computer, the PC. It sets a new industry standard that is in certain ways incompatible with the standard laid down by the existing PC, and it is also thought difficult for companies which "clone" IBM personal computers to copy rapidly.

No company has reacted more vociferously to the PS/2 than Compaq, the Houston-based company which, starting from scratch in 1982, is now probably the biggest personal computer manufacturer in the US after IBM. Compaq does not regard itself as a "clone" maker. It builds machines to the industry standard set by IBM but which are frequently acknowledged to have superior performance to IBM equipment and are sold at prices comparable to those of IBM products. The pure clones, it believes, compete only on price.

Soon after the PS/2 was announced Rod Canion, Compaq's president, likened it publicly to Coca Cola's New Coke—the classic example of an unwanted product forced on to the market by a manufacturer, and one which flopped dismally.

"It offers no advance—but total incompatibility with other equipment," he says. Jim D'Arezzo, the company's vice-president for corporate communications, says the PS/2 represents a move by IBM to push big corporate users of personal computers to cut them off from other products and lock them into "Big Blue." This, he says, is selling FUD.

There seems little doubt that the PS/2 has thrown the personal computer market into confusion, with about half US corporate purchasers reportedly postponing purchasing decisions for some months, partly because IBM is not able until next year to offer the new OS/2 software operating system that will enable users to get the full benefits of the PS/2. Market reports of how the PS/2 is selling vary.

Compaq, however, appears to be benefiting from FUD. "IBM," said Canion a few days ago, "couldn't hope to freeze Compaq out. But as it turns out our sales are rising faster than ever." Compaq recently said that its 1987 second quarter sales would exceed $250m, compared with analysts' predictions of between $200m and $230m. Earnings would also exceed expectations. It now looks as if annual sales will reach the $1bn mark this year — a 60 per cent increase on last year.

The company, which now has the longest orders backlog in its history, is benefiting from purchasers who either prefer its products or who are not prepared to wait for the full PS/2 range to become available. Canion says he expects sales to rise even faster when the original PC ceases to be available now that IBM is phasing it out in favour of the PS/2.

Compaq is now in the throes of a major expansion, which will involve investing about $75m this year. In its woodland site on the outskirts of Houston an extra 1m square feet of factory space is being added to the existing 450,000 square feet plant. A facility for making printed circuit boards is just opening in Singapore, and the company is early next year to start manufacturing computer systems at a 150,000 square feet plant being constructed at Erskine near Glasgow.

Compaq built its success on designing and manufacturing the first portable IBM-compatible personal computer, which came on the market in January 1983. Sales leapt from zero to $111m in a year and reached $329m in 1984. It then added a range of desktop computers, which, like the portable, have been repeatedly updated, but it was not until about 12 months ago that desktop sales began to exceed those of portables in the US.

For a long while much of Compaq's appeal in the US has been to ambitious executives buying computers out of their own pocket to advance their careers, and in the words of Mike Swavely, vice president sales and marketing, "sometimes sneaking them into the office."

Though the company has been very careful to develop the image of a sober, mature corporation, in order to point up the contrast with the "clones" (among which it would probably include such manufacturers as Tandy and Commodore), it is rigid in its insistence on selling its products only through its network of 3,000 dealers, 2,000 of which are in the US.

"It's hard to service a customer from a big company," says Swavely. "The cost of a sales call would be about $500 on a product selling for about $10,000." Big corporate customers, which IBM would service with its own sales force, are treated likewise, often initially against their will, but come to prefer it, he says.

In Europe, where Compaq will now be boosting a presence begun in 1984 as it starts manufacturing in Scotland, dealers are already more oriented than those in the US to servicing corporate customers (though US dealers are adapting).

Joe McNally, who runs Compaq's subsidiary in the UK, currently the biggest and fastest growing personal computer market in the world after the US and Japan, says that the majority of Compaq's UK sales come from medium to large corporate customers. Sales to individuals are said to be an almost negligible 5 per cent. Some 45 per cent of Compaq's UK sales consist of portable computers.

Compaq's aim is to increase its overseas sales from the current level of about 30 per cent to around 45 per cent. The company had always intended to be big—from the start it installed an in-house computer system designed to cope with the demands of a $1bn corporation—and it is now making the transition from centralised to world-wide manufacturing.

"Growing worries me. Getting bigger and more complex worries me," says Canion. He confidently envisages the company (which currently employs only 2,200 people) easily doubling its current $1bn sales level at some stage, bus says: "The problem is not sales volume but the increased complexity that the company is growing to."

Yet many seasoned observers of the personal computer industry believe that there is a strong element of bravado in Compaq's denunciation of IBM's new product range. On the one hand the respected US analysts International Data Corporation this month summarised the situation in these words: "So is IBM purely selling FUD? Yet!"

Others, on the other hand, believe that the PS/2 and the OS/2 operating system will eventually become the new industry standards thanks to IBM's traditional clout. IBM may not worry about losing the individual customer but will, it is said, fight to the death to retain its corporate clients.

This is not a position that Canion currently accepts. He announced recently that Compaq will early next year offer compatibility with OS/8 on its machines, though it believes that the existing standard operating system, DOS 3, will be around for many years to come.

But, Canion says, "we are making no commitment to offering the PS/2's architecture (IBM's micro-channel architecture or MCA) because right now it seems it may not be needed. The numbers of PS/2s sold with it so far don't look like a large proportion of the total industry."

But Canion has a strong fall-back position. "Realistically we don't expect to catch IBM in personal computers," says Canion, "though I don't rule out the possibility. But we've learnt how to use our strengths." These, he says, are a proven record of responding to the products of other manufacturers in record time—which means primarily IBM and can be assumed to encompass the possibility of replicating the PS/2 architecture—and its ability to bring out first rate products of its own.

Last September, for example, it introduced a new model—the extremely fast Deskpro 386—which was virtually the first personal computer to incorporate a powerful new Intel 80386 microprocessor after a development period of only nine months. It thus gained several months' lead on its competitors, including IBM. "It is this ability that gives us immunity from competition," Canion says confidently.

When it pays to enter into the spirit of things

INSIDE EDGE

Michael Skapinker finds that John Fleet (right) knows a thing or two about car rental

WHAT IS THE difference between a ghost and a poltergeist? Well, John Fleet explains patiently, "a poltergeist just moves things around. A ghost you can see."

Fleet, Avis's UK network development manager, once ran a branch of the car rental group in London which was haunted by both a ghost and a poltergeist. His staff used to have seances on the premises—after hours, of course. Fleet never joined in, but he always knew when they had had one because of the candle wax on his desk.

Then they started using a ouija board. Some of the employees were scared witless by now, so Fleet put a stop to it all.

Fleet has been with Avis for 21 years — longer than anyone else in the UK. He joined the company when he was 17. There's not a lot he hasn't seen in his time.

He remembers, for example, when the IRA bombed the Hilton Hotel and the Avis woman working inside was saved by her Green Shield stamps.

The company used to give you the stamps when you rented a car. The Avis representative had gone to get some from the safe behind the desk and had just crouched down in front of it, with the door open, when the bomb went off. The safe shielded her from the force of the blast.

"We were operational within days with the same staff, the same girl. There was no question of her wanting time off. She wanted to get back in there." That's the sort of commitment that has kept him at Avis all these years, he says. Everyone pulls together.

He recalls working with Colin Marshall, who later became chief executive of Avis and then of British Airways. Marshall had to follow the same rules as all the other employees. "I remember giving him his pencil allocation out of the stationary cupboard. We all rubbed shoulders then."

All the same, when Fleet first joined Avis as a filing clerk he had no idea he would stay for so long. He has in fact left the company twice. Once, in the early years, to work in the printing industry. He lasted six weeks. Too much of a them-and-us atmosphere, he says.

The second time, he left for a smaller car-hire company. "They were offering something like £4,000 and I was on £2,000. So I went." He stayed two weeks.

Defect

"I was particularly worried about the standard of service and maintenance on their vehicles. Once, the managing director asked me why some cars were just standing there. I said they had a manufacturer's defect. He said 'Get them out on rental.' I didn't. Next thing I was on duty in the office and a customer opened the door and said 'Who is the manager?' I stood up and he threw a brake cylinder at me. I said, 'I was the manager, but as from this point I no longer am'."

It was a struggle to get back into Avis. The company did not take kindly to the fact that he had left for a competitor. He had been working in Cromwell Road, West London, before his departure. His punishment for leaving was a job in the City. It was not regarded as a promising patch. "The City is very finicky, very fastidious."

The people to talk to, he discovered, were the chauffeurs who ferried chairman and chief executives around. He went to where they ate and drank and asked them what was wrong with the Avis cars. The colours were too loud, they told him. He got cars in more sombre colours. "It went a bomb," he says.

He was promoted to manager of the Park Lane branch. "This is where I hit the big time," he says. Other jobs followed, until, in late 1979, he became district manager for London and eastern England.

When the recession struck, he had only two redundancies in his district, and they were really early retirements, he says. All his other staff reductions were the result of natural wastage. That sort of approach stands you in good stead later on.

In his present job, Fleet is expected to double the number of Avis locations by 1990. He talks a lot about the atmosphere at Avis. "In the film Star Wars they refer to something called The Force. There's something about Avis people that's different. It's in the carpet, it's in the wallpaper," he says, and you wonder if he is going to start talking about poltergeists again. "I don't think we've ever had an unfair dismissal held against us. There's no management formula. There's no special book we've read."

This year is the 25th anniversary of Avis's We Try Harder slogan, introduced to motivate the company to compete with Hertz, then the clear industry leader. How have the UK staff taken to wearing badges?

"It's not English, is it?" Fleet says. "To have any kind of badge is against the English way of doing things. But you have to wear it in this company. And the beauty of it is that when somebody takes the mickey and asks 'what does it mean?', the girl at the front desk can relate an incident where something worked better because of it."

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
24	25	26	27	28	29	30

Exhibitions

TOKYO

Images of Gods: This exhibition of masks and totem figures from Africa, Oceania, Asia and the Americas commemorates the 10th anniversary of Osaka's National Museum of Ethnology. The 200 objects include rare items from Oceania (from Britain's George Brown Collection) along with elegant and modernistic designs from Africa and Australia. Suntory Museum of Art, near the New Otani and Akasaka Prince Hotels Akasaka Mitsuke. This is a cosy museum offering both a tea ceremony room and spectacular views over the city. Ends August 30th. Closed Mondays.

Wassily Kandinsky (1866–1944): 102 paintings and drawings, including some from his pivotal Blue Rider era, comprise this exciting exhibition. The suggestion of a musical rhythm in art is caught in the bold colours and tension of Kandinsky's characteristic geometric patterns, squiggly lines and motifs seen especially in his "In the Black Circle" and Improvisation and Composition series. The National Museum of Modern Art, Kitanomaru Park, Takebashi. Plan your itinerary to take in a stroll through the nearby Imperial Palace Gardens or at least along the Moat, one of the few oases at the heart of the city. Ends August 9. Closed Mondays.

Bunjin-ga Literati Painting. This exhibition of Chinese-inspired landscapes by Japanese artists of the Edo Period (1600–1868) includes works by the renowned Uragami Gyokudo of the Nanga, or Southern School of Chinese painting. Literati painters were enthusiastic amateurs who worked in ink and paper – the Academy professionals worked in silk and mineral colours. Their most typical subjects were the rustic scholar-recluse poetic scenes of mountains and Zen-inspired landscapes of the mind. Idemitsu Museum Hibiya, above the Imperial Hotel and near Ginza and main hotels. Ends Aug. 23. Closed Mondays.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

ITALY

Venice: Ca Pesaro: American Art in the 60s from the Ludwig Museum in Cologne: Works by 25 artists, from Liechtenstein to Rauschenberg, Oldenburg, Rosenquist, Warhol, Lewitt, Dine, Stella, Noland and Paolazzi. Ends Aug 2.

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empie style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

SPAIN

Madrid, Cy Twombly. American artist living in Rome since 1957 exhibits his Conjuntio Oppositorium: 43 paintings on cloth, 68 on canvas and 20 sculptures dated 1952-86. Palacio de Velazquez and Palacio de Cristal at the Betiro Park. Ends July 30.

Madrid, Fernando Botero. Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

Madrid, Cubist Picasso, 1907–1920. 132 drawings and paintings inherited by Picasso's granddaughter Marina. Pierre Daix, an expert on Picasso's art, believes that this show contributes to illustrate the richness and variety of artist exploring cubism and highlights his 1907 notebook with sketches on Les Demoiselles d'Avignon. Fundacion Caja de Barcelona, Velazquez 63. Ends July 31.

PARIS

Medieval Art in Paris: The Abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on the blackened ruins of roman baths. Now a museum, it houses medieval works of art: goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painleve, Metro Odeon. Closed Tuesdays and lunchtimes (432 56200).

Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cezanne, Donanier Rousseau. Musee Picasso, Hotel Sale, 5 Rue Thorigny, Paris 3E (4271 2421). Closed on Tuesdays.

The Painter in Front of his Mirror: A collection of 222 self-portraits from the 18th to the 20th century shows the infinite variety of ways in which an artist regards himself. From a painstaking likeness to a self representation under the traits of a mefisto or the devil, from thickly laid brushstrokes to the lightest of lines, painters draw their own image for friends – or for posterity. Louvre des Antiquaires, 2 Place Palais Royal. (429 72700) Ends Sept. 5.

Georgio Morandi: Subdued colours and a subdued mood imbue the 120 paintings, watercolours, drawings and etchings of the master from Bologna. The permutations of the themes of bottles, vases, cyclindrical or rectangular shapes engender a certain monotony. Yet at the same time they give these everyday objects a poetical existence of their own. Hotel de Ville, Salle Saint-Jean. (427 64066) Ends Aug. 20.

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

Baden-Baden, Kunsthalle Lichtentaler Allee 8a: Henri de Toulouse-Lautrec. This exhibition displays graphic works from 1864 to 1901 with more than 350 posters and drawings (Ends Aug 30).

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

Burlington House, Picadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,300 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkishness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

Theatre

WASHINGTON

The Immigrant: A Hamilton County Album (Arena): An immigrant in Texas at the turn of the century conveys the warmth and quirkiness of autobiography in Mark Harelik's play based on his grandfather's experiences. Ends Aug 16. (488 3300).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on

Continued on Page 17

Opera and Ballet

NEW YORK

New York City Opera: A week of performances of Stephen Sondheim's Sweeney Todd begin, conducted by Paul Gemignani in Harold Prince's production with Joyce Castle and Timothy Nolen; also Faust, La Rondine and Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frank Corso's production. Lincoln Center (870 5570).

New York Grand Opera (Central Park): Free performance of the first New York staging of Verdi's Il Corsaro at the 72nd Street Bandshell. (860 1335 for raindates).

Jacob's Pillow Dance Festival: Summerlong work and performance schedule in the Berkshires features recitals this week of the Paul Taylor Dance Company (Tue-Thur). Becket) MA (413) 243 0745.

WASHINGTON

Bolshoi Ballet (Opera House): Performances of The Golden Age continue, along with the first act of Romeo & Juliet and the second act of Spartacus. Kennedy Center (254 3770).

LONDON

Coliseum: Bolshoi Ballet Academy in mixed programmes. (836 3161).

Sadler's Wells: Merce Cunningham season continues. (278 8916).

Royal Festival Hall: London Festival Ballet begins a season of popular ballets on July 28 starting with Coppelia in which Rudolf Nureyev is promised as Frantz (928 3191).

THE ARTS

Mean Tears/Cottesloe

Martin Hoyle

This relationship is hopeless, says Peter Gill's new play in its *first 10 minutes*; and spends the next two hours proving the point.

At first the elliptical exchanges between Julian and Stephen recall the same author's *In the Blue*, seen also at the National's smallest auditorium two years ago. There two young men circled each other warily in language that lunged, parried, skidded off into possible fantasy. There also they inhabited a space devoid of furniture, though for the new work Alison Chitty has designed a boldly coloured backdrop of giant still-lifes—cassettes, pot-plants, photo-albums, a red telephone — and scattered the floor with London Library books. The labels are important, for the play's frame of reference is restricted and specific. Bilko, Hancock, the Velvet Underground, the Dalston Rio, the long description of a Holland Park wine bar that the knowing will indentify, all add to the impression of an ambling self-indulgence that is almost indecently personal.

The lovers at cross-purposes are Stephen (Karl Johnson, all sensitivity with dashes of the vulnerable and the predatory) and Julian (Bill Nighy, all vulnerability, with hints of the predatory and the sensitive). Their friend Paul (Garry Cooper, the mixture as before) provides a clumsily introduced confidant. Julian, a compulsive nanny-seeker, has affairs with girls, notably Nell (Emma Piper, sensitive and predatory, yet vulnerable) who lives with Keith (never seen, but you can take odds on what *he's* like). When asked about Keith by Paul, Nell answers, in words that epitomise the play's style: "He's fine, fine. He's fine." Stephen, being Welsh, is allowed the luxury of polysyllables.

In portraying the love constantly baffled by the self-absorption of one partner, Mr Gill, both author and director, has created at least one role complex, aggravating, funny and pathetic, and Mr Nighy's Julian is as dazzling a technical feat as his Edgar in *Lear*. The golden boy who flops, callow, into inadequate maturity, he juts a hip, almost crumpling sideways; his knees bend in sudden passionate sincerity; touchy, quickly repentant, deflected into naively narcissistic self-enquiry, petulant, crying or whinnying in inarticulate rage, Julian is ultimately a brilliant caricature of freaked-out, gilded youth; but the performance is a gem.

From its male viewpoint, the writing exudes a faintly mysogynistic air. Nell is a stereotype "hockey-field Venus" who has to be compared, even unfavourably, with Vanessa Redgrave to get her into any sort of focus. Nor are the attempts to flesh out upper-class family backgrounds quite convincing. (Ex-pats *never* pronounced mah-jong as Malayan-born Julian does, when your critic lived in Singapore). The work has the nagging conviction of a throbbing tooth; but two hours of no development cry out for the pain-killer of a ruthless blue pencil.

Alastair Muir

Eduardo Pavlovsky and Susy Evans

Potestad/Theatre Upstairs

Michael Coveney

The range of international theatre work on offer in London through LIFT Festival is proving exceptional. Language barriers are no defence against contact with deep expressions of national identity, as illustrated in this powerful monologue by Eduardo Pavlovsky, an Argentinian actor and psychiatrist.

The script deals with one of the more unpleasant social phenomena of Argentina under the military junta of the late 1970s: the stealing of children of political undesirables in order to satisfy the parental longings of infertile couples with military or police connections. Pavlovsky plays a doctor who participated in such a despicable raid but who now, after the reinstatement of democratic justice, is compelled to assist the return of a young girl to her rightful parents.

The poignancy lies in the fact that he stole the child for himself. Pavlovsky, having recounted his dastardly deeds in a beautiful exhibition of cunning, evasive double-talk and special pleading, is ripped apart in the confessional second-half of the monologue, delivered in the silent, insistent presence of a loyal friend, Tita (Susy Evans, expressive and touchingly mute, like a sedated Angela Pleasance).

The setting is bare save for two bentwood chairs, around which Pavlovsky prowls and mimes before shuffling and shunting up and down on one of them as his story draws to a climax. My Spanish is not good enough to follow the detail of this performance, but I reckon I know good acting when I see it. This is very good acting.

Acting may not be quite the right word, for there is a chill authenticity in Pavlovsky's story that leaves scant room for any decorative elaboration. His several emotional outbursts are frightening in their intensity, chiefly because they are so unactorish. And a climactic effect of blood-spattered victimisation is one of the strongest I have experienced at close quarters in some while.

Cinema/Nigel Andrews

Man of steel shows metal fatigue

Superman directed by Christopher Reeve
Jean De Florette directed by Claude Berri
Black Widow directed by Bob Rafaelson
Mala Noche directed by Gus Van Sant

Christopher Reeve goes through his paces

"Effective immediately, I'm going to rid our planet of all nuclear weapons," announces Superman to the United Nations assembly. And lo! we are off into *Superman IV: The Quest For Peace*, the latest instalment in the saga of the hero with bulging biceps, superhuman strength and a uniquely personal line in coloured underwear.

This showing, alas, is likely to be the last. With the caped crusader now transferred from the Salkind to the Cannon stable, he seems only a step away from the knacker's yard. A promisingly jaunty opening—Superman rescuing a Soviet astronaut struck by passing space debris as he mends his ship and sings "My Way" in Russian—ushers in the traditional round of character introductions and crescent plot expectation.

Margot Kidder's Lois Lane, Gene Hackman's Lex Luther and, of course, Christopher Reeve's Superman are all back again, here joined by Sam Wanamaker and Mariel Hemingway as a newspaper tycoon and daughter threatening to do a Murdoch on the Daily Planet. (This produces the film's best line. Says Wanamaker, sheafing through the accounts, "How come there are no air travel expenses for you, Kent?"

But 20 minutes in, the structure *starts to come apart before* our eyes. The flying sequences have a paste-and-scissors look the Salkind movies never descended to, with blurry outlines round the characters *indicating sloppy optical work*. And after the initial tremor of Superman's UN announcement, the disarmament plot virtually disappears. There is time merely for a scene of our superhero shoving the world's nuclear arsenal into a giant shopping bag in space, then slinging it far out of harm's way into the sun. What replaces it is the feeblest substitute plot: a prolonged duel between Superman and "Nuclear Man" (Mark Pillow), an all-powerful hulk created by Lex Luther with a little genetic help from *one of Superman's hairs*.

These two waltz round the planet biffing each other in mid-air, from the Great Wall of China to Red Square, from San Francisco to Mount Vesuvius. As Billy Bunter's schoolfriend would have said, the monotony is terrific. So is the implausibility of the artwork, as one cut-price painted vista succeeds another. The film's version of Red Square especially, in shimmering hideous pastels, would have been thrown out on to the pavement by the Royal Academy summer exhibition. The whole depressing farrago lasts a tell-tale 90 minutes (suggesting *frantic* reduction work in the cutting room) and indicates that the cinema's Man of Steel must now be diagnosed as suffering terminal metal fatigue.

★

By contrast, the French film *Jean de Florette* is a wonderful piece of storytelling. Based on a novel by Marcel Pagnol, who wrote the *majestic Fanny* trilogy, that *roman fleuve*-cum-soap opera whose lives and loves sprawled through the years in between-wars rural France, this tale also dunks us *deep in the countryside*. Two crafty Provençal farmers, white-moustached old Yves Montand and his young protegé Daniel Auteuil, covet a neighbour's farm. They help bring about the owner's death, "accidentally on purpose," and are then aghast to see the property go not up for sale but into the hands of a city-bred relative. He rolls into view, with wife and daughter, in the shape of a hunchbacked Gerard Depardieu. Only one thing for Montand and Depardieu to do: stop up the hidden well they know about, whose closure will turn the farm from a bounteous dream into a barren nightmare.

So we swing into two hours of agricultural agro and counter-agro, as the seasons *roll, the crops promise and* falter and promise again, and Depardieu—raging alternately at the ground and the heavens —tries to keep penury at bay. The two old villains glimpse the horror of what they have brought on: as Monsieur D staggers daily to a far-off well under a burden of wooden and metal buckets, resembling a deranged French answer to Ned Kelly. However, they persevere with their scheme. Will the dastardly plot succeed and drive the newcomers back to the city? *Or will the wronged* family finally triumph?

Directed by Claude Berri, and written by him and French script veteran Gerard Brach *(The Tenant, Tess)*, the film has one constantly panting to know "What next?" Coldly analysed, it is on scarcely higher an artistic level than the best-quality soap. If *Dynasty* suddenly went French and rural, it would be like this; with Joan Collins twirling imaginary moustaches in the Montand role and John Forsythe carrying the humped back and the 100 buckets. The countryside wallops us with its perfervid colours and perfidious moods; *Berri paces the film* impeccably; and actors as Titanic as Montand and Depardieu can sometimes hoodwink us into thinking we are closer to a Gallic *King Lear* than to life *with the French relations of the* Carringtons.

The next instalment of this ultra-soap will be out later. For Berri and company made two films back to back from the same Pagnol original, and the sequel is *Manon Des Sources*.

I sincerely trust there will be no sequel to *Black Widow*. The momentum of this movie's plot scarcely carries it to its own final reel, let alone into a follow-up. Theresa Russell plays the nasty piece of work designated in the title, a slinky beauty whose method of getting *rich quick is to marry and* murder a series of millionaires. After each disposal—victims include toy tycoon Dennis Hopper and rare coin expert Nicol Williamson—she flits off to another part of America, donning a different guise, and looks round for yet another unfortunate Mr Right.

There must surely be easier ways to earn a dishonest living than this; and ways that would evade detection more convincingly. But plausibility is not *Black Widow's* strong suit. No one seems able to nail Miss Russell, not even Justice Department investigator Debra Winger, who hoofs after her and becomes involved in some weird relationship with her which I could not work out. Not lesbianism, something more kinky. She wears Russell's clothes and even goes steady with her latest intended victim in Hawaii (Sami Frey).

But the movie never develops these matters, any more than it develops anything else. Finally, it dies a peaceful, glutted death in sunset-blazed Hawaii. The intellectually up-market Bob Rafelson *(Five Easy Pieces, The King Of Marvin Gardens)* directs, when the job should surely have gone to someone with a keener, more shameless eye for directing succulent hokum and finding its secret logic.

Gus Van Sant's *Mala Noche*, a story of street life and doomed gay love in Portland, Oregon, could be designated the ultimate, *film noir*. That is, you can scarcely see it. Images of startling darkness succeed each other in this low-budget exercise in chiaroscuro and pretension, which has been hailed by some critics as a minor masterwork. These critics no doubt experience an intellectual wake-up call whenever they discover a film is about the following: the suffering of migrant workers (the hero's *beloved is a penniless Mexican*), life on the poverty line, and love in the sexual half-world. Ah!, approve these critics, themes of radical honesty set among the underprivileged.

But the most underprivileged things about this film are its talent and originality, or lack thereof. The tilted camera angles and rakish shadows are by courtesy of *The Third Man*. The subculture anomie is out of Warhol. And the tedium is out of this world.

Ravel operas/Glyndebourne

Ronald Crichton

Ravel died 50 years ago at the age of 62, after a wretchedly debilitating illness. With sponsorship from IBM, Glyndebourne commemorates him with new productions of *L'Heure espagnole* and *L'Enfant et les sortilèges*, only the first of which has been done there before. The first night on Wednesday went extremely well, with barely a sign of the tension which one feels more acutely here on such occasions because expectations are high. The dinner interval—not always helpful (for instance in this year's *La traviata*)—disguises the fact the two operas are a little too similar in musical mentality to make an ideal coupling.

Simon Rattle conducts the LPO, Frank Corsaro produces with designs by the gifted illustrator and author of children's books, Maurice Sendak. The lighting is by Robert Ornbo. Having mentioned similarity, one must admit that everyone concerned has worked, consciously or not, to stress the differences: the stage techniques in *L'Enfant* are as far advanced from the fairly straightforward presentation of *L'Heure espagnole* as the wide ranging dance styles (up to and including jazz, the whole drenched in Colette's child's-view garden poetry) of the one are from the intricately artificial Spanishry of the other.

Corsaro and Sendak set the Spanish adventure not inside Torquemada's clock-shop but outside in a Toledo square, over which towers the wildly baroque facade of the town hall where he winds and minds the clocks. This façade is a horological fantasy plastered with carved emblems some of which move when half-hours or quarters strike. Ever and anon Torquemada peers from behind the central clock face to keep a benevolent eye on the proceedings There is a messy beginning with amplified tick-tocks before *Ravel has so convincingly begun* to paint the dark, musty interior. This spoils the enchanting entry of the variously chiming clocks in the orchestra. It is not the only piece of overproduction but the music soon asserts its rights. In both operas Ravel triumphantly comes out on top.

Torquemada, a more solid figure than usual, is ably presented by the experienced French character tenor, Rémy Corazza. His discontented wife Concepcion is taken by the greatly talented young Anna Steiger. She looks like a ripe peach, moves well, inflects her words with colour and wit. Some effects — detached notes and slurring of phrases for example — are slightly overdone. More naturalness will soon come. Thierry Dran, a reliable lyric tenor, is not quite extravagant enough as the spouting poet Gonzalve, François Loup is the amiably waddling financier Don Inigo. As the muleteer Ramiro, the answer to Concepcion's prayers, the polished comedian and sensitive singer François Le Roux cannot help sounding like Debussy's Pelléas — the two dissimilar roles had the same creator, Jean Périer.

For *L'Enfant et les sortilèges*, to the names already mentioned one must add Jenny Weston as choreographer (if Glyndebourne does dance numbers as well as this they won't be able to resist the claims of Lully and Rameau much longer) and Ronald Chase as film animator and slide designer. Here again the beginning is the least good part — in this case a silent prologue of a twenties family group posing for a photograph with one of the children being a nuisance. There is a suggestion later that some of the humans pose as the animals who turn on the child in the garden.

Otherwise the spectacle, in which imaginative use is made of animated cartoons projected on to scrim, gives almost continuous pleasure. The projections are particularly effective in the scene of the fire and in the arithmetic nightmare. More traditional methods are used for the chairs' duet, the foxtrot of the teapot and china cup and the pastoral lament of the wallpaper shepherds. Sendak is not always happy with real, as opposed to fantastic animals: cats, dragonflies, squirrels and what have you, half-human, with much use of (false) fur, are not immediately recognisable. The mixture of voices on stage and off (behind screens at the sides of the proscenium), some of them sounding not too carefully amplified, makes a see-saw effect.

Cynthia Buchan sings the child, full of character, almost too sympathetic and repentant (but the scrim as usual reduces the contribution of facial expression to zero). In "Toi, le coeur de la rose" Miss Buchan was very moving but must not go a centimetre further in the direction of sentimentality. Carolyn Blackwell as the Princess of the child's dreams was absolutely melting. Fiona Kimm, Louise Winter, Lillian Watson, Malcolm Walker and most of the cast of the first opera were among the many who deserve mention. To them must be added the three dancers, Colleen Barsely, Paolo Lopez and Nigel Nicholson.

Finally, Simon Rattle and the orchestra. In *L'Heure espagnole* they perform prodigies of transparent accompaniment, never at any important moment obscuring the words, revealing detail that has lain hidden in many more showy readings. Mr Rattle conducted the second opera in a student production at the RAM in London at a tender age, and it was good to hear that early promise so abundantly fulfilled. The tonal range here stretched from tiny, liquid but never lifeless sounds to flashes of excoriating brass. The twin Glyndebourne pitfalls of rowdiness and thinness were triumphantly avoided. A vintage evening.

Pursuit/Royal Opera House

Clement Crisp

Ashley Page's latest creation, *Pursuit*, received its first performance on Wednesday night as part of the Royal Ballet's Paul Hamlyn week. It is good that an audience of newcomers to the Opera-House should have the chance to see novelty, as well as the established favourites — *The Dream* and *Elite Syncopations*—on the programme. Good, too, that *Pursuit* proves to be so bright and challenging a work.

Like Ashton's *Scènes de ballet*, to which it bears a passing resemblance, it is about the act of classical dancing and the formal patterns that display that act. Four principal pairs, with four attendant girls, are the forces involved. Its score is Colin Matthews' *Suns Music* (reviewed by Dominic Gill from Tuesday's Prom), but here expanded in length and in orchestral forces to provide music whose energy and clear, quick incidents (and transparent scoring) are a sure basis for Mr Page's dances.

Design is by Jack Smith: two backcloths of vivid geometric *shapes in bold colours* match the orchestral vivacity and the often fragmented nature of the dance. My only complaint concerns the hapless costuming of the women, who wear lemon yellow and armless unitards, decorated with small blue rectangles, with tutus in vicious aniline red or green which move stiffly and obscure the line of bodies and of dance. Then men, in orange-shaded leotards, are better served, and I can only hope that the women will be speedily and more becomingly re-dressed.

Pursuit is a young man's ballet, a young classical dancer's ballet.

At first acquaintance there seem moments when the thread of the argument is lost in dancing too busy for its own good, but some obscurity I blame on the women's costuming, and throughout there is the constant recall to academic order, and to a new order that subverts some hallowed classroom laws without losing sight of their values.

I enjoyed Pursuit. I want to see it again. Its cast seemed on best form, in control of the quick cut and thrust of Mr Page's choreography.

Panocha Quartet/Wigmore Hall

Dominic Gill

The Panocha Quartet from Czechoslovakia have visited Britain a number of times since their first foreign tour in 1975. I had not heard them before; but they did not make a specially startling first impression with the Mozart (K458 in B flat) with which they opened their programme on Wednesday night. Even if some of the expressive playing, especially in the adagio and finale, sounded unexpectedly tentative, the performance was decent enough, accomplished and attractive — but it lacked real original character, real finesse.

Our programme-note writer, Jan Smaczny, had nicely mastered the art of socialist double-commentary in his note on the first quartet of the Czech *composer Vladimir Sommer* (b 1921). Why, Smaczny asks, have so few post-war Czech composers made a major impact on the musical world at large? — perhaps because of the "break *in continuity* between the traditions founded in the 19th century and Czechoslovak composition in the post-war era"? It is possible that Professor Smaczny might just have something there.

He describes Sommer's early work as reflecting "both an interest in the progress of socialism in his country and an enthusiasm for folk-song" (an euphemism my Hungarian friends would particularly appreciate). One day, the *friendliest* programme notes will be able to refer openly, without fear of repercussion, to the Stalinist cultural orthodoxy which has reigned in Czechoslovakia without significant *break, and with peculiar* savagery, for more than 40 years. Meanwhile, we all wish Mr Sommer well: and trust that his anxious and diffident yearnings after the shades of *Shostakovich will bear fruit*

After the interval the Panocha were joined by the German pianist Wolfgang Manz for Dvorak's later and greater piano quintet in A major. The sparkle which was clearly latent in much of their earlier playing woke up here.

Arts Week

Continued from Page 16

indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock; country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English Speaking Theatre of Amsterdam with Noel Coward's Private Lives directed by John Hartnett and starring Lesley Hughes and Chris Young (all week except Sun and Mon). (24 23 11).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Music

LONDON

Chamber Orchestra of London conducted by Phillip Simms with John Bradbury, violin and Yitkin Seow, piano. Handel, Mozart and Vivaldi. Barbican Hall (Thur). (638 8891).

PARIS

Sardinia's religious and traditional music, Maria Carta singing, Sergio Vartolo, organ and singing (mon 8.30pm) Saint-Severin Church.

Angela Hewitt, piano: One Hour with Roussel (Tue, 7pm) Auditorium des Halles, Porte Sainte-Eustache.

Groupe Vocal de France conducted by Guy Reibel: Yorgy Ligeti (Wed 7pm). Concert-Rencontre, Auditorium des Halles.

Chamber Orchestra from Czechoslovakia conducted by Otokar Stejskal with the Nielsen Quintet: Mozart (Thur 8.30pm) *Auditorium des Halles*.

All the above are part of the Paris Festival Estival (4804 9801).

NETHERLANDS

Amsterdam, Oude Kerk (Oude Kerksplein). Organ recital by Jan, Peter and Wim Zwart (Wed).

Amsterdam, Nieuwe Kerk (Dam Square). Organ recital by Gustav Leonhardt (Thur).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Music on Original Instruments. Christopher Hogwood conducting, Steven Lubin fortepiano, Stanley Ritchie violin. Mozart, Beethoven (Mon); Mostly Mozart Festival Orchestra. Leopold Hager conducting, Richard Stoltzman clarinet, Paul Gallo basset horn, Janos Starker 'cello. Mendelssohn, Weber, Haydn, Mozart (Tue, Wed); New *York Chamber Soloists. All-Bach* harpsichord programme (Thur). Lincoln Center (874 2424).

Tanglewood: Nexus performing African percussion suites (Thur). Lenox, Mass. (413 637 1666).

Jazz in July Festival (Kaufmann Hall): Margaret Whiting, Dick Hyman and Max Kaminsky among others pay tribute to the Eddie Condon Club (Tue); piano recitals by Marian McPartland, Roger Kellaway and Dick Hyman (Wed); Joe Williams and the Count Basie Orchestra (Thur). 1395 Lexington Av at 92nd St. (996 1100).

WASHINGTON

Wolf Trap: Fairfax Symphony conducted by William Hudson, Marvin Hamlisch piano. Mixed programme (Tue). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: The Beaux Arts Trio. Beethoven, Schumann, Brahms (Mon); Ensemble of Authentic Instruments. Christopher Hogwood conducting, Steven Lubin fortepiano. Mozart, Beethoven (Tue); Joe Williams and the Count Basie Orchestra (Wed); Chicago Symphony. David Zinman conducting, Jeffrey Kahane piano. Weber, Chopin, Schumann (Thur). *Highland Park* (728 4642).

TOKYO

Setsuko Seidhofer, piano. Haydn, Mozart, Beethoven, Chopin, Mullion Concert Hall. (Thur) (501 5638).

Traditional Japanese Music: Shamisen, hand drum and flute recital by the Shinju Kai group in a concert version of well-known pieces from Kabuki. Shoken Kaikan Hall, near Kayabacho. (Thur) (351 0328).

Saleroom/Annalena McAfee

Going, Going, Gonne

Yeats's notebook, presented to his great love Maud Gonne at the time of his first proposals of marriage to her, more than doubled its estimate when *it went for* £34,100 to an anonymous US buyer at Sotheby's in London yesterday.

The notebook, with a gold-lettered title "The Flame of the Spirit," contains an unrecorded poem as well as an early version of his well known verse, "When you are old and grey and full of sleep," originally written for Maud Gonne. The poet proposed to her many times over 25 years from 1891 to 1916 but she eventually married the Republican hero, Captain John McBride.

The top lot in Sotheby's sale of English literature and history was one of the great correspondences of 18th century literature, 442 letters from Horace Walpole and his favou*rite correspondent*, George Montagu, which sold for £49,500 to the London dealer Burgess and Brown. The sale made a total of £515,251, with 13.03 per cent unsold.

A 1619 Pavier edition of Shakespeare's "The Chronicle History of Henry the Fifth," only the second copy to come up for auction in the past 20 years, was bought for £33,000 by the London dealer Pickering and Chatto. The same price was paid *by Quaritch for a Pavier edition* of Shakespeare's "Whole contention" including "Henry the Sixth, Parts II and III."

Quaritch also successfully bid £30,800 for the autograph manu*script of a play by Jane Austen*, "Sir Charles Grandison or the Happy Man, a Comedy" discovered only 10 years ago.

Two Austen family music books, containing four songs in Jane Austen's hand were expected to make up to £15,000 but failed to sell.

A letter from Charles Dickens extolling the seamier *side of life in Margate* was bought for £3,960 by the London dealer J. Wilson.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Friday July 24 1987

Progress on arms control

THE LATEST lurch forward in the superpower negotiations on the elimination of medium-term nuclear missiles from Europe is wholly unsurprising, but welcome as far as it goes. Yet it underlines a number of ambiguities in the security position of the West which will need to be attended to, either by further-reaching and more significant progress in East-West arms control, or by independent actions by the West Europeans and their American allies, or (preferably) both.

For several months it has been obvious that Moscow and Washington both wanted a deal which would in effect eliminate a whole category of Intermediate-range Nuclear Forces (INF) from Europe. For Moscow, the particular deal in the making had the merit, long sought by the Russians, of removing a highly accurate land-based missile force which could threaten Soviet territory from Western Europe. For the Reagan administration, a separate INF deal had the political appeal of an arms control agreement which did not jeopardise the President's commitment to his Strategic Defence Initiative, or Star Wars. Once this apparent convergence of interests had been formally recognised at the level of broad principles, a breakdown over details became increasingly unlikely.

Whether the remaining argument over the fate of the 72 German-owned Pershing 1A missiles should be classed as a detail, is a moot point. The US insists that the missiles are outside the superpower negotiation, the Soviet Union that the nuclear warheads are American, and must therefore go as part of any zero option. Yet these missiles are obsolescent; in the end, perhaps honour could be satisfied if the US undertook not to modernise or replace them.

Litmus test

Verification, by contrast, is anything but a detail. Mr Gorbachev's agreement to eliminate the whole category, and not hang on to the right to deploy 100 warheads in Asia, will certainly simplify the task. Nevertheless the standards of compliance need to be much more stringent when numbers are cut to zero than in the case of a simple freeze, because any circumvention becomes more significant, at least in psychological terms.

Moreover, the methods of verification adopted in the case of Euromissiles will set an important precedent for other arms control negotiations now inching forward, including those on chemical weapons and conventional forces. In addition, they will be a political litmus test, at home as well as abroad, for Mr Gorbachev's declared aim of introducing glasnost or openness. On these grounds at least, a zero option Euromissile deal would encapsulate a number of important political symbolisms in the evolving East-West relationship.

In military-security terms, however, a zero Euromissile deal would be, by itself, less important than has sometimes been claimed: it certainly would not represent a terminal decoupling of the US nuclear deterrent from Europe; its significance would only become clear by what came after.

Economic savings

The Euromissile problem only arose because Nato once believed it could compensate with short and medium range nuclear weapons for its conventional inferiority to the Warsaw Pact; this belief was short-circuited when the Soviet Union more than matched Nato in these tactical and theatre weapons. The removal of a whole category of theatre nuclear weapons can hardly fail, therefore, to re-emphasise the Eastern advantage in conventional forces.

Some previous Soviet leaders would have regarded this as an eminently satisfactory development. But if Mr Gorbachev means what he says when he talks about the virtues of mutual security and better East-West relations, one would expect him to respond to Western fears by offering large and asymmetrical cuts in Soviet ground forces. Unlike a Euromissile deal, such cuts would also open the door to economic savings and the transfer of resources to the civilian Soviet economy.

In the absence of such an offer, the governments of Western Europe will need to address the question of their collective security with all deliberate speed. A zero Euromissile deal would not be a terminal blow to Nato or to the credibility of the US deterrent. But against the background of what might almost have been agreed at Reykjavik last year, it would be the first writing on the wall, whose meaning would be: Europe needs to be more responsible for its own defence—and for its own arms control.

A protectionist ragbag

THE sweeping trade bill approved by the US Senate this week has been roundly condemned outside America as protectionist, and rightly so. It is a cumbersome ragbag of measures ranging from import curbs for troubled industries to *calls for selective retaliation against countries whose import barriers are deemed offensive* by the US Trade Representative.

No doubt there will be some watering down when a joint House-Senate conference committee seeks to combine the bill with the version passed by the House of Representatives earlier this year. But the size of the majority in favour of the Senate bill suggests that if it comes to a presidential veto, an override cannot be ruled out.

The best that can be said at this stage is that it might have been worse, given the Democrats' control in the Congress and the strength of feeling in the US against Japan and the European Community. Even the notorious Gephardt amendment to the House bill, which represents a retreat into crude bilateralism, would leave it open to the President to waive retaliation if he concluded it would not serve US economic interests.

The one thing that will not result from all this Congressional activity is any significant improvement in the US trade deficit. History offers little evidence that protection invariably has a dramatic impact on trade balances; and much recent econometric work suggests that neither trade nor industrial policy is the key determinant of trade patterns. Indeed, the chief criticism of most of the measures under consideration on Capitol Hill is that they fail to address the real issues, which are macro-economic.

Fiscal policy

The main reason Japan runs a large bilateral trade surplus with the US is that its savings are running ahead of the investment opportunities in its domestic economy. Excess savings are then forced to seek investments elsewhere in the world and the resulting capital outflow is reflected in a trade surplus. It follows that trade policy measures will only be effective to the extent that they address the savings problem. Lifting agricultural trade barriers might just do that through its effect on land prices and the amount the Japanese are obliged to save for expensive accommodation.

Against that background the recent move to relax fiscal policy in Japan is welcome as far as it goes, as is the decision to permit easier access to consumer credit. In contrast the US policy response to a shortage of savings, which has been made good by foreign capital, has been inadequate. The Administration has sensibly engineered a devaluation of the dollar against the world's leading currencies and applied pressure for market access. But it has signally failed to support those measures with appropriate adjustments to fiscal policy.

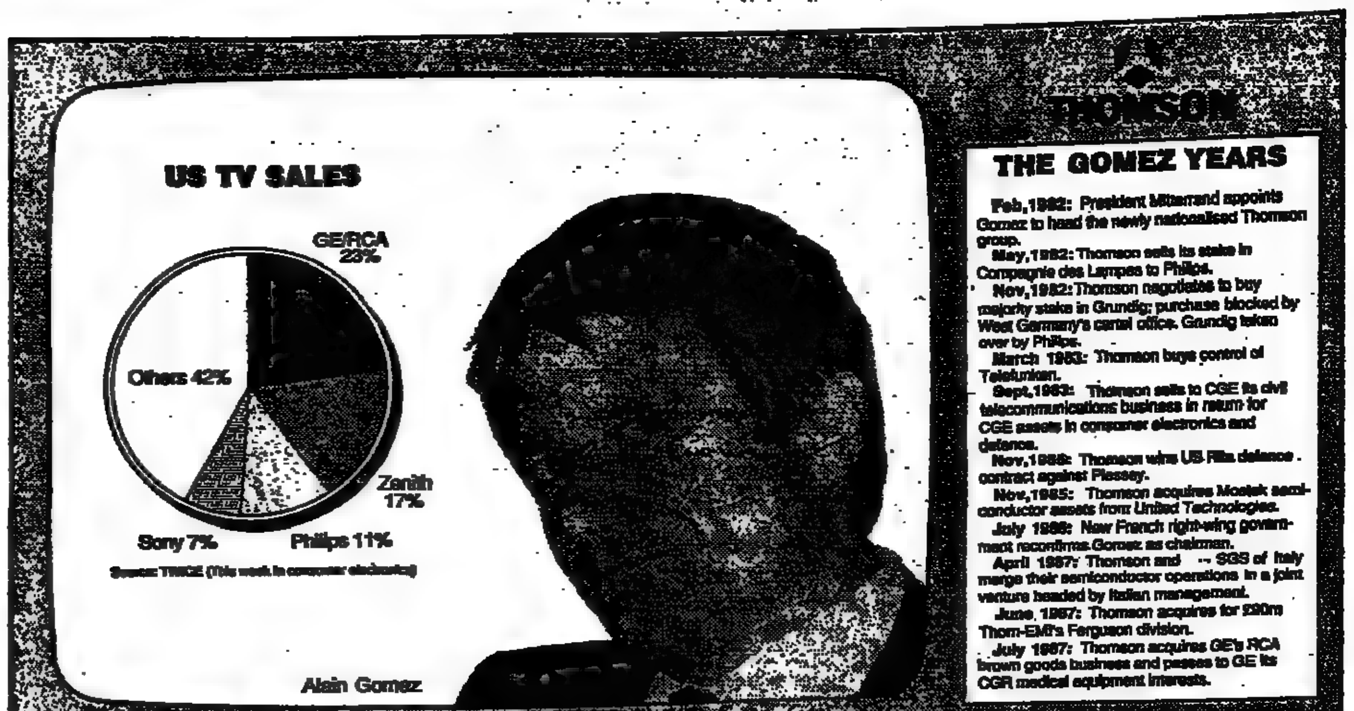
Inward investment

The passage of the Senate bill carries a clear warning of trade friction to come. As long as the US fails to confront the macro-economic issue, the continuation of the trade deficit could trigger tit-for-tat escalation of protection which would ultimately cause world markets to shrink. And the outlook for the new round of multilateral trade talks now looks more questionable.

At another level there is a risk the markets will become concerned about the inflationary consequences of the devaluation of the dollar to the point where the Federal Reserve might feel obliged to tighten monetary policy. This would do nothing to resolve the savings-investment imbalance and would further damp down an economy which is already showing signs of flagging.

On balance the odds may still be on the world economy muddling through, as the US Administration seeks to mitigate the damage in the horse trading over the trade bill during the summer. But optimism is becoming harder to maintain as the policy logjam endures.

Paul Betts and Anatole Kaletsky (below) look at Thomson's deal with GE



Alain Gomez

Mr Gomez builds a high-risk empire

EXACTLY A YEAR after France's Compagnie Generale d'Electricite (CGE) negotiated its landmark telecommunications deal with ITT, it is now the turn of Thomson, the nationalised French defence and electronics group, to pursue its American dream.

With its acquisition of General Electric's RCA television and audio equipment business for a sum estimated at between $500m (£312.5m) and $1bn and the sale of its CGR medical equipment subsidiary to GE, Thomson has become the latest French industrial group to launch a big acquisition in the US during the last 12 months.

Mr Alain Gomez, the impetuous and impulsive chairman of Thomson who was appointed by President Mitterrand five years ago when the French electronics group was nationalised, claimed yesterday that the deal completes the five year reorganisation of his group.

When he took over at Thomson, he says the group was present in six different electronic sectors but in only one — defence — it had the necessary size to compete on a world scale. Having shed its information processing and telecommunications assets to CGE, merged its semiconductor operations with SGS of Italy, and now disposed of its medical equipment business to GE, Thomson is left with two basic businesses: defence, including professional electronics, and consumer electronic goods. Only a month ago, Mr Gomez negotiated the takeover of Thorn-EMI's Ferguson consumer electronics business.

Mr Gomez's "bigger is better" strategy in Thomson's chosen sectors may appeal to his principal shareholder—the French government—but its boldness raises many questions. It may be an even bigger gamble than Mr Gomez's investment in semiconductors, which recently forced the group to hard management control to a joint-venture with SGS of Italy.

"Perhaps Thomson's deal with GE was as good as Renault's acquisition of American Motors eight years ago," says one Paris analyst, referring to the costly and ultimately fruitless adventures of the French car maker in the US.

"It reminds me of the La Fontaine fable about the frog and the ox," says another analyst. "In the end the frog exploded by trying to blow itself up to match the size of the ox."

Thomson is launching itself on a sluggish mature American consumer electronics market dominated by the Japanese. Indeed, when GE acquired RCA two years ago, Mr Jack Welch, the US group's chairman, soon indicated his intention to sell the company's brown goods business whose inadequate profitability had already defied years of management effort.

Mr Gomez acknowledged yesterday that Thomson faces a major challenge; he sees it as an opportunity for the European consumer electronics industry to counter-attack against Japan. "We lost the first round in the 1970s in the colour television, videocassette recorder and compact disc markets because we did not have the necessary volumes or costs. What Thomson is now seeking is to be among the winners in the second round," he says, adding that those who fail in the coming round are "unlikely to be around afterwards."

With the GE acquisition, Thomson has joined the top league with Philips and Matsushita. This confidence reflects the successful restructuring of the group's consumer electronics business which reported operating profits last year of FFr 809m (£82.5m), compared with FFr 358m the year before. This improvement has been matched by the general financial recovery of the Thomson group as a whole.

In some ways, the consumer products strategy seems to have been a recent phenomenon at Thomson. Although Mr Gomez tried and failed to buy Grundig five years ago, he has consistently stressed profitability and been quick to shed loss makers like civil telecommunications.

Indeed, he sought in the early days to sell the then loss-making CGR medical equipment subsidiary, before being blocked by the left wing government. At that time, GE was already among the potential buyers. Since then, CGR has been restructured, but in Mr Gomez's view, still lacked the muscle to compete against its three bigger rivals GE, Philips-Picker, and Siemens.

Mr Gomez yesterday emphasised the distinction between the two components of the deal. It is Thomson's publically quoted defence subsidiary Thomson CSF, with 49 per cent of its capital in private hands, which is selling CGR to GE, while the Thomson holding company, wholly owned by the government, is acquiring the GE activities for Thomson's consumer goods division.

Having had his position reconfirmed by the Government following last year's legislative elections, Mr Gomez clearly has the political backing for his American adventure. On the basis of his recent record, it is unlikely to be his last.

A hollow feeling in the great American manufacturing revolution

APART FROM the motor car, no product has been more symbolic of America than the colour television—symbolic not only of American consumer affluence but also of the nation's industrial decline.

It is hardly surprising, therefore, that many Americans, including some economists and manufacturing experts, failed February 12 this year as one of the first victorious days in the nation's industrial struggle against Japan.

It was on that day that General Electric announced that it was bringing back to Indiana from Japan the manufacture of 500,000 television sets annually. Now that GE has bowed out of the competitive race after a mere six months, it is appropriate to reconsider some of the optimistic forecasts about a US manufacturing revival which have been gaining currency since the beginning of this year.

The GE consumer electronics story contained elements of all the forces which have dominated the US industrial saga: poor product innovation, management smugness, cheap foreign competition, currency swings, financial conglomeration and disintegration, merger mania and opportunistic international deal-making.

The end has been dictated by the gulf between contrasting world views. On the one hand an expansionist, government-supported European business, its imagination fired by possibilities of capturing immense world markets; on the other the cold, no-nonsense approach of a tough, streamlined management which sees a very different corporate mission—to maximise shareholder returns.

At first sight, this contrast has unsettling implications not only for GE, but for the future of American industry. If GE—which is not only America's third largest corporation in terms of stockmarket capitalisation, but also the market leader in consumer electronics by a substantial margin, admired in Wall Street and a business school model—could not cope with foreign competition, it is hard to see which American company might.

Indeed, after this week's sale of GE's consumer electronics businesses to Thomson, it may only be a question of time before Zenith, the sole remaining American-owned company in this business falls into the arms of a foreign suitor. In fact some of the very arguments deployed this week by GE's chairman, Mr Welch, underline the fears that shorter time horizons and narrow financial motivations will go on shrinking Americas industrial base.

Mr Welch, however, has stressed repeatedly that he bought RCA for its defence electronics and for the NBC broadcasting network—not for the consumer operations. His interests lay only in industries where GE could occupy the number one or two market position, where it could earn a return on capital of at least 15 per cent and where it could compete profitably "with any company in the world."

While consumer electronics qualified under the first of these criteria, it failed dismally on the other two. In retrospect, therefore, it is less surprising that Mr Welch has now sold this business than that he ever talked of giving it "a chance to prove it deserved to be a member of the GE family."

But apart from the sense of betrayal which is bound to be felt in part of GE's management and workforce, as well as among the pundits who saw the television manufacturing exercise as a symbol of America's industrial revival, what are the broader consequences of this story?

In itself, Mr Welch's predictions to stay only in businesses where in his own words, GE enjoys "an overwhelming competitive position" sounds less than healthy. The fashion on Wall Street for companies to focus on near-monopoly businesses, where their profits are sheltered from foreign competition, cannot but lead to a narrower American industrial base, not to mention stunting innovation and ultimately, like all monopolistic tendencies, leading to lower efficiency.

However, looking at the reality of GE's performance, as against the rhetoric of its corporate strategy, the picture is less bleak. Within the broad product areas with which Mr Welch has publicly identified the company's future—high-tech manufacturing, basic electrical engineering, domestic appliances, financial services and broadcasting—GE has been willing to take greater risks, has shown more patience and acted with greater competitive zeal, than the television manufacturing episode might suggest. Indeed, a large part of the returns that it has earned by streamlining its operations have gone into a steadily rising ratio of research and development to revenues.

It has been claimed against GE that few of the products it has stuck to are directly challenged by Japanese competition—even refrigerators, which GE is now selling extremely profitably in the US are too bulky to be transported economically from the Far East. It is also true, on the other hand, that the absence of Japanese competition in most of GE's markets may be little more than a coincidence. Medical electronics, where GE will now expand substantially through the acquisition of Thomson's interests, is an intensely competitive business. It is however, marked by competition on technology rather than price.

It was the price competition in the consumer electronics market which seems to have been the ultimate deterrent to GE's involvement. GE may well have been wrong to regard excessive price-competition as an inherent feature of the market (Sony for example), has carved out an enormous niche for itself in the US and throughout the world, despite its "premium" pricing.

With its decision not to compete at all in audio consumer electronics and video cassette recorders, RCA had effectively written itself off back in the 1970s as a competitive force of truly international proportions. GE had done the same with its own smaller electronics operations.

Ultimately, therefore, Mr Welch was probably right to regard the business as less than viable without the substantial level of international investment which Thomson now seems willing to undertake.

Men and Matters

Sim's return match

THE LAST time many of Dick Sim's friends in England saw *him he was covered in mud in* pursuit of a rugby ball and the unfortunate individual who happened to be holding it.

This week, on a business trip from his American home in Milwaukee, he is presenting an altogether different image to the financiers he is meeting — namely that of the entrepreneurial hi-tech chief executive.

Sim, 42, is leading a road show to promote Applied Power Incorporated, an electro-hydraulics equipment manufacturer with sales of just over $100m which he heads, and which is making a public stock offering.

He left England in 1970 after a brief career as an academic which took him to Cambridge—where in 1966 and 1967 he won "blues" as a wing forward with a ruthless predisposition.

After two years at Liverpool University teaching engineering he emigrated to the United States to work as a nuclear engineer for Westinghouse Electric before moving to General Electric. He spent eight years working on the fast breeder reactor programme.

He changed gear in 1980 and moved into manageent, becoming general manager of GE's medical systems special health unit.

As the boss of Applied Power, Sim has a significant interest in the company's success. He will end up with a 2.3 per cent stake in the company after the offering if he exercises his share options.

Bench mark

A judge's opinion of any appeal court which overturns his ruling is not normally a matter of public record.

But if Sir Nicolas Browne-Wilkinson's decision to lift the Spycatcher injunctions is overturned today, the public has already had a pretty fair indication of what his opinion will be—the law will be an ass.

This popular and unpretentious Vice-Chancellor, whose reputed preference for life among the sheep on his Welsh mountain farm mystifies his establishment colleagues, obviously does not hesitate to employ a down-to-earth approach in the court.

Government lawyers may not like what he says but even they may find it impossible to deny that orders which cannot achieve their purpose bring the courts into disrepute.

As for the man in the street, he can surely see little point in banning a book which he can freely buy in Parliament Square.

Dress design

What Moss Bros does for men, Joanna Doniger is doing for more and more women. It is four years now since she formed her One Night Stand outfit and began hiring out evening dresses to London's dinner, dance, and partygoers.

"A friend of mine kept complaining about her sisters borrowing her dresses and ruining them. They ought to be able to hire the damned things, she said. That gave me the idea."

It has been a complex business to establish. Not only does Doniger have to keep abreast of changing fashions, she has to stock "just about every colour, shape and size." Her charges range from £50-£65.

From her base near Sloane Square (where else?), Doniger recently expanded into a second branch in Primrose Hill. This year she expects turnover to double to between £350-400,000.

Gaslight

Those who thought that privatisation would not change British Gas one jot might compare the


"We're just circling until they improve the air traffic control system"

latest annual report with its last set of accounts as a public corporation.

While the Government was evidently prepared to lavish money on a heavy, glossy document with eight pages of colour illustrations, the privatised company is doing things differently. British Gas' shareholders are getting a slim booklet with a cover so flimsy it appears to have been left off altogether. As if by way of apology, British Gas says that the reports cost just 17.3p each. Despite the thin paper, the pile of reports to be sent out would still form a stack five miles high.

Inside the report, British Gas shows it is moving with the times: the frumpish layout has been redesigned, and dismal purples and greys turned into cheerful primary colours to highlight the progress of "your company." Indeed apart from the introduction of a particularly severe photograph of Sir Denis Rooke, everything has been done to make the report as user friendly as possible.

Country style

David Lees, manager of a country branch of Barclays bank in Shrewsbury, Shropshire, must be accounted the hero of Britain's High Street bank managers today.

He has finally laid to rest the slur that, in modern banking, branch managers are only employed to fill the cash dispensers.

When Michael Montague, chairman of Valor, put together an outline deal to buy Yale and NuTone in America for $460m he frankly didn't have the faintest idea about where the money was coming from.

From New York he rang his local bank manager, Lees, and pointed out they had been together for 20 years — could the bank help?

One day later, as soon as Montague had arrived back in England, Lees rang to say, "I think it will be alright. Drop in to see me on Monday."

Which explains why Lees was the guest of honour at Valor's annual meeting yesterday.

Star quality

I reported the other day that the FT plays an important part in bee-keeping because of the miraculous qualities of its pink paper.

More evidence has now come to light of the manifold virtues of the journal you are holding in your hands, or resting on your toast-rack.

Dr Stephen Castell tells me that during last year's transit of Halley's comet, one observatory found that its results were enhanced by placing two pages of the FT over the end of the telescope to get the light balance right.

The astronomers, says Castell, gratefully acknowledge that it was a case of, "No FT . . . no comet."

Observer

POLITICS TODAY

A revolutionary formula

By Malcolm Rutherford

SOMETIMES the most far-reaching political decisions are among the least noticed when they are first announced.

So it was this week when the British Government published its response to the First Report of the House of Lords Select Committee on Science and Technology: 1986-87 Session. There was hardly a mention of it in the *House of Commons*: only a brief reference in Prime Minister's Question Time on Tuesday.

Yet, for better or for worse, the Lords' report and the Government's reply are probably of far more long-term importance than anything else on MPs' minds as they depart today for the summer holidays. They are also less controversial than such matters as the community charge, or poll tax.

It is true that the Government's response so far is only of an interim nature. It has not yet committed the cash that would bring about fundamental changes in Britain's science policy. But it is beginning to bite and, so far as one can tell, the bulk of the scientific community is broadly on its side in agreeing that British science cannot be allowed to go on as it has, scattered around scores of institutions with very few centres of excellence. The challenge to universities to adapt to new structures is enormous.

The House of Lords Select Committee stated last year that the advance of science and technology was essential to economic recovery. It recommended that the promotion of science must be a central objective of government policy and that the new impetus must come from the highest level: namely the Prime Minister.

It was just possible, as Mr John Fairclough, the Government's Chief Scientific Adviser, put his case to Mrs Thatcher, that the new policy would be announced in the Conservative election manifesto. As it turned out, the approach was more cautious. A section of the manifesto read:

"Government support for research and development amounts to more than £4½bn per year. It is larger as a share of our national income than that of the United States, Japan or West Germany. A country of our size cannot afford to do everything. These resources need to be better targeted. The task of government is to support basic research and to contribute where business cannot realistically be expected to carry all the risks.

"We will ensure that government spending is firmly directed towards areas of high national priority by extending the role of the Advisory Council on Applied Research and Development, drawing on the full range of advice from the academic community and from business."

The section was not widely noticed. Yet the seeds of the new policy were there. All that was missing was the commitment to fund it and to face the row with the universities over the establishment of new centres of excellence.

Those components are still missing from the Government's response, published on Monday, to the Lords' report. But we have moved on. The Government has accepted two principles:

● Collective ministerial consideration, under the Prime Minister's leadership, of science and technology priorities. (Note the word "priorities.")

● Government will be advised by an expanded independent body, which will comment not only on the whole of British scientific and technological endeavour, but on international efforts as well.

This new advisory body will be known as ACOST, for Advisory Council on Science and Technology. It will have an independent chairman, report directly to the Prime Minister and hold periodic meetings with her.

There is still a long way to go, however, if the Government wishes to press on in the centralised direction it seems to be heading. Published alongside the response to the Lords' report was a discussion document, prepared for the Secretary of State for Education and Science by the Advisory Board for the Research Councils (ABRC) and called A Strategy for the Science Base.*

The ABRC was set up by Mrs Thatcher when she was Secretary of State for Education and Science in 1972. It includes the Government's main scientific advisers as well as representatives from industry and the universities. Not all the members are agreed on every item as the accompanying letter the Secretary of State makes clear.

If one had to sum up their findings, it would be that British science is underfunded, underdirected and that the research is too widely spread. The document draws heavy on a report on earth science (previously known as geology), by a committee chaired by Professor Oxburgh for the University Grants Committee.

Professor Oxburgh states: "The present distribution of earth sciences resources in universities is too dispersed. We have too few institutions with either the staff or the resources to compete in the world league." Earth sciences research is distributed over 54 departments in 41 university institutions.

The ABRC document says categorically that the statement applies equally to other fields in the experimental sciences. It goes on more or less to endorse the Oxburgh recommendations that provision for science in the universities will have to be fundamentally re-ordered.

Universities and other higher education institutions might be broken down into three categories as far as science is concerned.

One of them would promote scientific research in the world league. The number of academic staff would be large and the number of students small. There would be an intermediate category where there would be some advanced research, but more of the emphasis would be on teaching. The third category would be more general, dealing with teaching mainly at the first- and second-year undergraduate levels, on the grounds that "the preparation of highly educated manpower (not all of whom need to be at the advanced research level) is of equivalent importance to the advancement of knowledge."

Even those proposals are revolutionary enough, for they challenge the universities as they are now run. The theory since the Robbins Report on university expansion in the early 1960s is that all universities are supposed to be equal. Under the suggested new regime, they would at least be different. But there is more to come.

Acceptance of the proposals would not mean that Britain could remain at the forefront of all the sciences. There may be some areas that the country would have to go out of altogether at the advanced research level, and somebody is going to have to say which.

Actually, this process of selectivity has been happening for some time, and the British record of keeping up with the rest of the world, despite limited resources, is not all that bad. Britain still accounts for about 5 per cent of the world's research and there have been some striking changes in allocation over the years.

For example, the proportion of the science-based spending devoted to engineering is now higher than the comparable figures for France, West Germany and the US. In Britain it is 16 per cent, in France 8 per cent, in West Germany and the US around 12 per cent—though the comparable figure for Japan is more than 21 per cent.

One of the ways in which this has been achieved has been by withdrawing from big sciences, especially big physics. But apparently that is not enough. The ABRC report suggests that the retreat from nuclear physics might have to go on, and that there might also be some reduction in expenditure on ground-based astronomy and oceanography. No doubt other specialists would have different preferences.

Anyway, the point is that somebody, sometime, is going to have to decide priorities. Until now the approach has been pretty *ad hoc*. While the science budget increased sharply in the 1960s and early 1970s — about 10 per cent a year in real terms — and has held steady under Mrs Thatcher's Government, it is actually buying less and less because of the increasing cost of equipment. At the same time, industry's expectations from science are growing because an improved science base is one of the best ways of competing internationally.

The ABRC document does not stop even there. Not only does it want a wholesale reorganisation of British science; it also wants the resources awarded to it to be raised and it wants it now. The paper concludes: "We need to make the transition from a widely distributed university research base to a system in which fewer centres are equipped to world class standards. In our view, this transition will not be made successfully without additional funds to facilitate the relocation and early retirement of staff, and to provide new appointments and new buildings and facilities in the chosen centres of excellence."

The Government has not yet gone that far. It will consult the universities, industry and the various parties involved before going in for the changes advocated. It has still not committed the money which the scientific advisers regard as essential to carry out the proposals.

Politically, it is an interesting exercise. For if you substitute the word scientific for industrial, it is clear that the Prime Minister is being asked to adopt one of those strategies of "backing winners" so beloved by Labour governments in the 1960s and 1970s and which she always said were elusive.

The wheel has turned almost full circle. Will Mrs Thatcher back a strategy for science? The answer is probably "yes." She can hardly run away from it now.

*HMSO £3.95.

Lombard

Wider choice in the High Street

By Hugo Dixon

THE 1986 Building Societies Act, which was billed as a way of injecting a much-needed dose of competition into the high street financial services industry, received royal assent a year ago this week. It is time the Government went back to the drawing board to prepare a new one.

The 1986 act has failed to achieve its objective because those who drafted it thought of societies as a rare and endangered species. Their desire to deregulate was hedged around with "nature limits"— restriction designed to prevent societies evolving so quickly that they lost their separate identity. What they failed to understand was how quickly new electronic delivery systems, the increasing sophistication of consumers and deliberate government policy are changing the environment within which societies operate.

This half deregulation means consumers are being charged too much because of insufficient competition in markets societies would like to enter but cannot. And, as the industry tries to live with the handicaps imposed by the legislation, other financial markets have become skewed.

The banks' habit of charging consumers a margin of up to 15 per cent above base rates for unsecured loans is the most notorious example of overcharging (witness the Monopolies Commission probe into credit cards), which the 1986 act might have been expected to do something about. But, although societies are allowed to offer unsecured loans they cannot allocate more than 5 per cent of their assets to this business. What is more, they cannot lend more than £5,000 to each customer.

The £5,000 restriction has prevented societies from entering the credit card business. Both Halifax and Abbey National, the largest two societies, wanted to join Visa, but because of the way Visa operates it is possible for cardholders to borrow more than £5,000 even if their credit limit is fixed at a lower level. The Building Societies Commission, the industry's regulator, therefore told the two societies not to join.

The 5 per cent restriction has ruled out a price war in the personal loans market. As societies are not allowed to build up market share, they have had no incentive to undercut banks. They have found it much better not to rock the boat than slash rates and be faced with demand they are not legally able to satisfy.

The story on home loans is hardly better. Societies have traditionally funded mortgage lending by taking deposits from small investors. However, a series of factors, including the Government's own desire to create a share-owning democracy by give-away privatisation issues, has meant investors are less keen to put their money in a safe but boring building society account.

The rational thing would be for societies to raise the cash by borrowing in the wholesale markets. But the 1986 act dictates that they cannot raise more than 20 per cent of their cash on wholesale markets and some societies are already bumping up against this limit. Their way round the problem has been to choke off demand by charging borrowers more than is economically efficient and persuade small investors to deposit cash with them by paying them more than they should.

Moreover, societies have been largely excluded from the growth areas of personal finance. They are not allowed to own stockbrokers, insurance companies or unit trust groups, though they can act as agents in these areas. In the latest blow, it now appears that even in the personal pensions market, where the Government hoped societies would play a major role, they will be severely restricted.

Building societies need a new act, committed to full-blooded, not half-hearted, deregulation. This is the only way to provide consumer choice. In the long run, it is also the only way to prevent societies becoming the dodo of the financial world.

Letters to the Editor

BA-BCal and competition

From Sir Peter Masefield.

Sir,—Mr David Sawers (July 21) argues that the proposed merger between British Airways and British Caledonian should be referred to the Monopolies and Mergers Commission because—he suggests—"the case for the merger seems to be commercial rather than economic." It is, of course, both—though the distinction is more academic than practical. Commercial success (gained from good management on the sound economic base of meeting customer requirements at attractive prices) is at the root of the prosperity of any business.

The case for the BA-BCal merger stands upon those fundamentals. It stands too on the need to achieve competitive strength in world markets (strength in the fields of finance and the best possible staff, aircraft, air services and base facilities) so as to take on, in fair fight, the massive and increasing competition *from very large predatory overseas airlines.*

In addition, cardinal requirements *for a great* British flag-airline to achieve success in the commercial battle throughout the world are, first, a widespread route network and, second, that the network should be based upon both of Britain's two major hub airports—one now being insufficient to meet the demands.

To deny the merger would be—in the changed and changing circumstances of today and tomorrow—to deny the case for the strongest possible British presence in the top league of world airlines.

But that does not mean that competition should be, or need be, stultified. Mr Harry Goodman, chairman of International Leisure Group, has ambitions to enter the arena more widely than at present. He proposes that his services alone should be granted British licences on certain air routes on which BA and BCal have served the public well for years. He seeks substitution not competition.

The spread of deregulation, *and of liberalisation in* Europe is opening doors. Through them let Mr Goodman seek to enter the field on his merits so as to enhance—but not to limit—the British effort.

Peter G. Masefield,
Holding board director,
British Caledonian.
Rosehill,
Doods Way,
Reigate, Surrey.

Urban aid on the ground

From Mr D. S. Redfearn

Sir,—Urban aid programmes, *pace* Andrew Taylor (July 17), need to stay firmly on the ground rather than get off it. We have already seen, in the so-called Enterprise Zones, that the exemption of the entrepreneur from taxation merely adds to the value of the land that he proposes to occupy. In other words, it is not the man who does the work who benefits, but the man who collects the ground rent for doing nothing at all.

The same kind of thing will happen if urban aid takes the form of increased grants for housing programmes; for, the more money that is available to pay for the land, the more the land will cost and the higher will be the burden on the prospective residents.

The true method of helping the house-buyer is being demonstrated in Pittsburgh, US, where the local property tax bears six times more heavily on the value of land, all land, than on the value of buildings. In a situation where any would-be land speculator finds himself making a loss instead of a profit, the price of land for building is going through the floor, and houses can therefore be bought for a more reasonable price than they can over here.

Why our *Government* will not take this lesson to heart, instead of doing away with traditional rates altogether, is an interesting subject to think about.

David Redfearn.
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Eastbourne, E. Sussex.

Leave out the taxpayer

From Mr N. M. Oldfield

Sir,—We are involved in assisting clients with the introduction of profit-related pay (PRP), but fail to understand why Reward Consultants (Peter B. Brown) believes that the taxpayer should foot the bill for consulting fees incurred in the process (July 20).

Undoubtedly, there are some issues raised by PRP, not least: identifying relevant employment units, the methods of determining the PRP pool and the need for independent auditors' reports, which by their very nature demand assistance in scheme design from experienced remuneration consultants. These issues are neither insurmountable nor should they incur excessive consulting fees if successful.

Unless smaller companies are already profitable (notwithstanding their prospects to be major contributors in the long-run to extra wealth creation and stability of employment), they are unlikely to be in a position to consider introducing a PRP scheme no matter how enthusiastic they are for this welcome initiative. PRP is about successful management, employee commitment and sharing directly in the success or otherwise of the company.

PRP should be adopted by companies as part of their overall remuneration strategy and philosophy in the search for success, not because it is a way of reducing labour costs. Consequently, the time and costs necessary to design a relevant scheme which secures Inland Revenue approval should be self-financing.

Finally, if the consulting fees are sufficiently frightening to deter the smaller companies, we would suggest it is a problem of the unnecessary complexity of tax relieving legislation, not a matter to be dealt with by public subsidy to artificially support professional fee levels.

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Interests of the poor

From Mr T. German

Sir,—In rejecting Trade Minister Alan Clark's call for the British Aid Programme to be further subjugated to the needs of British industry (A Distortion of Aid Policy, July 20), you argue that in this case, the spirit of the 1960s is superior to the spirit of the 1980s. But surely even on the basis of prevailing 1980s orthodoxies of efficiency and value for money, it is clear that the creeping commercialisation of the British Aid Programme should be revised.

A number of studies have shown that the use of aid funds to subsidise British industry has not proved very effective either in assisting companies to penetrate Third World markets, or in generating orders. And it is clear that neither the British *public nor, more importantly*, very poor people in developing countries are getting value for money in development terms from an aid budget which all too often reconciles self interest and atruism.

The Government's enthusiasm for overseas aid for humanitarian purposes in the period from 1979 to 1986 — when aid fell from 0.44 per cent of GNP to 0.33 per cent in spite of the famine in Africa — might best be described as lukewarm. Since 1979, as the Commons Foreign Affairs Committee has noted, there has been no clear statement from the Government on the objectives of the aid programme. So Mr Clark's attempt to hijack the aid budget must be seen in the context of this policy vacuum and the steady intrusion of commercial interests.

Since taking office, Mr Christopher Patten, Overseas Development Minister, has taken several welcome initiatives — though one gets the impression that he is having to swim against the tide. We very much hope that he will respond to the challenge of the Foreign Affairs Committee's Bilateral Aid Report, by ensuring that the Government publish a White Paper which unequivocally places the interests of the poorest first. Even in the 1980s. this is what the British public thinks the aid budget is for.

Tony German,
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Value of share options

From Mr C. Weight

Sir,—Mr Laurie Brennan's letter of July 18 highlighted many of the questions about share options for company managers.

In the recent past we have seen in the UK an increasing diversity of pay practice, in both base salaries and total earnings, which today usually include an annual cash incentive geared to increases in company profits.

To date little attention has been paid to the gains made from executive share options. My company has recently undertaken some research which helps to illustrate the diversity of potential option gains. We found that over the past 10 years the real growth in earnings per share in the "best" performing 25 per cent of companies was over 300 per cent, whilst median growth was 50 per cent.

Share price movements in the long run will tend to follow earnings per share, and the executive on maximum tax effective options award will benefit substantially from such growth. Allowing for the tax advantages he/she could make an extra 3.5 times salary over the 10 years option period if employed in the median performing company, and 21 times salary if working in the top 25 per cent of companies.

The arguments over the size of option grants should centre on whether these differentials are a fair reflection of the contribution of those who manage and direct the company. Shareholders must demand and expect value for "their" money.

In the United States many people would say that executive compensation practice has become too high. We in the UK would be in danger of not learning from their experience, if we were to fail to recognise the value of share options and their place in an integrated total remuneration strategy.

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FINANCIAL TIMES
Friday July 24 1987

Ivo Dawnay looks at Brazil's consistent failure to tackle land reform

The battle for Sao Juvenal farm

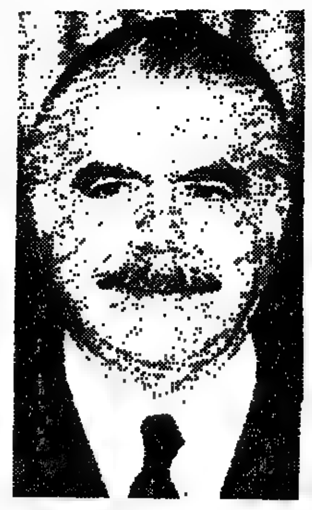
A REAL-LIFE version of "the Magnificent Seven" has been fought out in Brazil's southern state of Rio Grande do Sul this week in a new escalation of the country's endless civil war over land reform.

This time, however, the armed cowboys that rode to the rescue came to protect the interests of wealthy farmers from a rabble of unarmed landless peasants. In modern Brazil's land war, it seems, the moral certainties of Hollywood's Wild West are a great deal more confused.

This latest skirmish ended late on Tuesday when a battalion of military police and an estimated 500 heavily armed landowners, many on horseback, ushered or harried some 300 squatting families off a farm on the Brazilian pampas, some 400 kilometres from Porto Alegre.

Eyewitnesses claimed that two of the squatters' leaders, carrying white flags to negotiate a peaceful withdrawal, were ridden down and beaten by the horsemen. But reports of the dramatic events tend to depend largely on the political viewpoint of the onlooker.

The battle for Sao Juvenal farm illustrates in a nutshell all the murky rights and wrongs that have fired both landed and landless with a righteous indignation that leads to hundreds of deaths every year. The case be-



President Sarney: began redistribution programme

gan in 1985 when the government of President Jose Sarney selected the farm of Mr Julio Cesar Dias da Costa for compulsory appropriation, with compensation, to be parcelled and redistributed to local landless farm workers.

It can only be assumed that the grounds for the appropriation were that the farmer's hectares were underused - the sole legal basis for compulsory purchase. However, Mr Dias da Costa has ever since fought the decision through Brazil's interminable legal system, thereby delaying the redistribution of the land.

Last Saturday, the frustrated peasants took the law into their own hands by invading the farm. The response was rapid. Local members of the recently formed Rural Democratic Union (UDR) - the powerful landowners lobby - quickly mobilised their forces in cars, trucks and on horseback and surrounded the farm, preventing any food or aid from getting through to the squatters.

The owner himself then issued a warning to the authorities that if official action was not taken within 24 hours to oust the peasants he and his colleagues would do the job for them.

Local members of the Catholic Church's land reform group - the strongest supporters of the families - attempted but failed to get food through to the squatters. Journalists were also physically excluded by the horsemen.

Finally, just before the deadline expired, the judicial authorities ruled that the squatters must move, at least until the case is officially resolved in the courts. But by that time, cold and hungry, the invaders' leaders had already decided to go - although not before they received a serious beating.

The Sao Juvenal case, typical of hundreds, illustrates the key problem of land reform - the legal delays that breed frustration and often violent extra-judicial action.

In two years, two ministers favourable to reform have come and gone. The latest, Mr Marcos Freire of the right-wing Liberal Front party, this week washed his hands of the events, arguing that it was a police matter. "I am the minister of land reform, not the minister for squatters," he said.

Despite its public commitment to reform, the record of the Sarney Government has been poor. Latest figures claim that 20,000 landless have been resettled in the 2½ years since it came to power. The target for the end of 1986 was 150,000, and there are an estimated 7m to 11m people currently seeking land.

The difficulties also appear to be mounting. For while it may be arguable whether the landowners have moral right on their side, no-one can dispute their power or their sophisticated organisation.

Last month, the UDR spent some cruzados 30m ($660,000) to mobilise 30,000 members to lobby Brazil's constitutional assembly, applying intense pressure on Congressmen to uphold property rights and oppose appropriations.

Bank of England widens control

By David Lascelles in London

THE UK's sterling, foreign exchange and bullion markets are to be formally regulated for the first time under a new regime proposed by the Bank of England yesterday. The rules will be voluntary, but will be enforced by means of a new Bank-approved list of dealers and a London Code of Conduct.

The Bank also unveiled capital adequacy requirements for dealers in these markets yesterday, and eased its existing capital rules for the discount and gilt-edged market to bring them closer in line.

The new regime is a refinement of rules first proposed last year as part of the overall restructuring of UK financial regulation under the Financial Services Act. The act makes the Bank responsible for the professional wholesale financial markets, and separates them from the retail investment markets which fall under the regulatory Securities and Investments Board.

Institutions wanting to deal in the wholesale markets will have to pass a "fit and proper" test to get their names on the Bank's list. Apart from showing that they have the appropriate management knowhow and capital resources, they will have to agree to abide by the 28-page code of conduct.

The Bank expects anything between 100 and 200 banks to join the list, which will come into effect towards the end of this year.

The capital adequacy rules differ in some respects from those put forward last week by the SIB for the investment markets. But the Bank said yesterday that the intention was to make them broadly similar. They were also designed to converge with rules in other countries, notably the US.

To create more equality with parallel markets, the Bank yesterday relaxed the capital rules for discount houses which will enable them to double the size of their books for the same amount of capital. But because of the sensitivity of the discount market as a channel for monetary operations, the rules will still be tougher than those for the wholesale markets.

There are no legal sanctions for institutions who deal in the wholesale markets without Bank approval or breach the code. However, the Bank believes that its disapproval remains a powerful disincentive to bad behaviour, and it expects institutions to abide by the spirit as well as the letter of the rules.

Background, Page 7

French corn growers mount legal challenge to US subsidies

BY TIM DICKSON IN BRUSSELS

FRENCH corn growers are mounting a determined legal challenge to US domestic farm subsidies that could spark a new transatlantic trade war.

They claim that the US offers unfair support to corn gluten feed producers and are demanding the introduction of special countervailing duties to protect domestic farmers. The complaint is likely to be lodged with the European Commission in the next few weeks.

Corn gluten is a byproduct of corn and is normally used as cattle feed. Exports from the US to the EC last year totalled 4m tonnes or $568m.

Commission officials will have to decide whether to launch a formal investigation into the allegations, but the French Corn Growers Association is confident it has broad support for its case in Brussels. It hopes to present evidence to the Commission by the end of the month.

What happens then is likely to depend on the general state of EC-US trade relations, currently overshadowed by the dispute over subsidised EC pasta exports and this week's passing of the US Trade Bill. But the corn issue is also likely to become bound up in the latest round of global trade talks.

The complaint will attract widespread attention since it is the first time the focus has fallen on domestic subsidies for a US agricultural product in this way. It will also raise the important legal issue for the Community of whether a demand for coutervailing duties to be imposed on corn gluten can be made by a group whose members are not responsible for making the identical product.

Details of the allegations have not been made public but a source close to the French Corn Growers Association said last night: "We have identified a surprising level of financial support. The producers in the US benefit both from the subsidies on corn and from specific aid for corn gluten feed.

"In the context of the OECD conclusions that agricultural subsidies should be reduced, it is very interesting. The EC is very often at a disadvantage because the Common Agricultural Policy is transparent, but this will throw more light on the US position."

US officials believe that the French could be planning to attack the deficiency payment system for corn growers which has boosted production and already led the Canadian Government to impose duties on imports of American maize. They also recognise that the high prices under the US sugar programme have allowed producers of high fructose corn syrup to enjoy healthy profits and to sell their corn byproduct (namely corn gluten feed) at attractive prices in Europe.

The US Administration, however, would almost certainly react angrily to any attempt to impose duties on non grain feed ingredients, which is one of only two main product areas which are still allowed into the Community duty free. The other is oilseeds, and as officials readily point out, EC attempts to impose an oils and fats tax earlier this year seriously threatened to provoke a new trade war.

UK to freeze contribution to European Space Agency

BY PETER RIDDELL AND RALPH ATKINS IN LONDON

THE BRITISH Government is to freeze the level of spending on space projects and on its contribution to the European Space Agency after a year-long ministerial wrangle.

The decision could force Britain out of plans for a $12bn space station to be built by the European agency in conjunction with Japanese and US space agencies. It also casts doubt on Britain's commitment to the Hermes manned space shuttle project.

Mrs Margaret Thatcher, the Prime Minister, told the House of Commons yesterday that the Government was "not able to find any more resources" in spite of requests for "a considerable amount" of extra spending.

She said Britain would continue its subscription to the European Space Agency at present levels, but she hoped the private sector would come forward with considerable resources if it was interested in the results of such research.

Mrs Thatcher argued that, since total spending could not be raised, more money for space could be found only by switching resources from one research and technology project to another. This was considered unacceptable.

The issue may be considered later this year by the new ministerial committee on science policy which is being chaired by the Prime Minister.

The Department of Trade and Industry's subscription to the European Space Agency has been running at about £50m ($80m) a year, mainly for work on communication satellites. This year, it is contributing a total of £64m, including the ESA grant, to the British National Space Centre.

The British centre also receives £30m from the Science and Engineering Research Council, £17m from the Ministry of Defence and £1m from the National Environmental Research Council.

Sir Geoffrey Pattie, the former Minister for Information Technology who was dropped from Mrs Thatcher's Cabinet after the June election, had pressed for a large increase in spending on the overall space budget, rising from around £100m a year to more than £300m.

However, Mr Pattie faced opposition from the Treasury and from Mrs Thatcher, who questioned the value of an expanded British contribution to the space programme.

The Prime Minister's announcement took the British National Space Centre by surprise. It said it had received no formal notification about a decision by the Government.

However, it said it hoped that funds could still be found by diverting resources from other research and development programmes.

"We see this as the Prime Minister being frank about the difficulties that the Government has in finding the money we have asked for," it said.

About 80 per cent of of the centre's income forms Britain's contribution to the European Space Agency.

The increase would have enabled the centre to play a full role in a planned doubling in spending by European countries on space research agreed in 1985. Britain currently contributes about 12 per cent of the agency's spending.

However, the centre said it was still fairly confident that the industry would provide adequate funds for its programme, including participation in the space station and Hermes manned shuttle projects, but it could not say what return companies might expect on their investment.

Smiths to buy Lear Siegler avionics business

By Steven Butler in London

SMITHS INDUSTRIES, the British aerospace, medical and marine group, is spending $350m to acquire avionics businesses from Lear Siegler Holdings, the US conglomerate created in a $2.1bn leveraged buyout earlier this year.

The acquisition will more than double Smiths' annual turnover in the aerospace field from £160m ($256m) to over £400m, while giving it a large presence in the US market, mainly in the defence field.

The announcement dashed expectations that General Electric Company of the UK was the likely buyer for the whole of Lear Siegler Avionics, of which Smiths has purchased only part. Lord Weinstock, GEC chairman, has spoken repeatedly of a big acquisition in the works.

GEC had no comment yesterday except to say that Lear Siegler was a company in which it was interested.

Lear Siegler brings to Smiths new capabilities in airborne elecronic systems and equipment for flight management, navigation, weapon systems, data management and other avionic equipment for military and civil use.

Lear Siegler supplies flight management computers for the popular Boeing 737 series of aircraft, while Smiths has supplied similar computers for Airbus Industrie.

"We have deliberately cherry-picked three operations from a package that was for sale that fit our North American operations very well," said Mr Roger Hurn, Smiths' chief executive.

The operations include manufacturing facilities of Lear Siegler Avionics Systems in Grand Rapids, Michigan and in Florham Park, New Jersey, with regional US and international distribution offices. Lear Siegler International, which markets, distributes, and services aerospace systems worldwide, is also included.

Mr Hurn expressed confidence about improving Lear Siegler's lagging profits performance. Smiths' 1986 profits of £23.5m in the aerospace area on a £160m turnover compare with £22m profits for Lear Siegler on a turnover of £248m.

Lear's 1986 results were hit by an increase in research and development activities and an assessment review by the US Navy. Smiths also faces an as-yet unquantifiable expense due to cost overruns on existing defence contracts, for which price inreases are being negotiated. Smiths plans to make provisions on completion.

The acquisition is expected to give Smiths better access to US Government defence contracts, for which Lear Siegler Avionics has done 90 per cent of business.

Mr Hurn said that Smiths would be at least partially shielded from the expected US and worldwide decline in purchases of new fighter aircraft. As the demand for avionics systems for new aircraft falls off, Smiths would benefit from the refitting of older aircraft, he said.

Smiths will finance the acquisition through a £223m share issue which is being offered to shareholders on a one-for-three basis at 310p each. Smiths shares yesterday dropped 15p to close at 324p.

Smiths forecasts that pre-tax profits in the year to August 1st will increase to £65m from £56.5m last year, with a full year dividend up 18.2 per cent to 6.5p per share.

Cautious welcome for Soviet plan

Continued from Page 1

"These are co-operative systems that have never been on the table before," Mr Carlucci said.

The "double zero" option means that in addition to removing globally all their nuclear missiles in the 1,000 to 5,000km range, the US and Soviet Union would eliminate all missiles with ranges from 500 to 1,000km. The US would then no longer need to insist on its right to convert Pershing 2 missiles into shorter-range Pershing 1As.

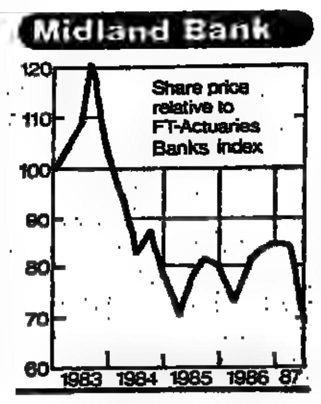
Soviet officials in Geneva have also made it clear they would expect the us to drop its insistence on converting ground-launched cruise missiles in Europe into sea-launched missiles.

In the interview with an Indonesian newspaper on Wednesday, in which he foreshadowed the new Soviet initiative, Mr Gorbachev made the global zero option conditional on taking into account US nuclear weapons in the Far East and on American aircraft carrier forces in the Pacific keeping within agreed limits.

THE LEX COLUMN

More to be done at Midland

Sir Kit McMahon, chairman of Midland Bank, was "pleased to report good half-year results" yesterday, but it is very hard to see how he could gain any satisfaction from the shambles indicated by the interim report. A loss of £665m pre-tax, after the £916m Third World loan provisions unveiled two weeks ago, is a massive setback by any standards. No doubt Sir Kit was referring to Midland's own cosmetic presentation of the figures, concocted with the shameful connivance of its auditors Ernst & Whinney. On this basis, with the special provisions tucked harmlessly away below the line, pre-tax profits are up from £195m to £251m. That was better than the analysts were going for, and the share price put on 8p to 629p.



It is true that Midland has covered the immediate loan loss damage by means of its package of asset sales and a rights issue. But the interim report shows that the bank is still seriously unbalanced. It makes just about all of its profit in UK domestic clearing banking, a cosy market where Midland found, to its astonishment, that it could raise its mortgage outstandings by 60 per cent in six months to £3.1bn, and where credit card rates are notoriously high, at least until the Office of Fair Trading has had its say on the matter. But investment banking could scrape together a profit of only £12m, against £51m in January-June 1986; there have been losses in London and New York, together with setbacks in Germany and France, and Samuel Montagu, which has been dealmaking in impressive style, has been the only bright spot.

The reshaped management still has a great deal to do, and a yield of 6 per cent cannot distract attention from Midland's longer-term strategic problems which its recent measures have scarcely tackled.

Dee Corporation

The proportionate contribution of bad luck and bad judgement to Dee Corporation's fall from market favour is a matter of continuing debate. But it still, apparently, cannot do a thing right. Having talked down the forecasts to more realistic levels - following the costlier than expected merger of Fine Fare and impact of the lousy ski-ing weather in the US on Hermans - it is careless, at best, to come in at the bottom end of expectations.

The City is not, in the main, merely indulging a grudge. Having been stuffed with downwardly mobile stock for two rather expensive deals indigestion has been acute, and earnings growth (dogged by a rising tax charge) does not look impressive beside the competition. The farther downgrading of estimates for the current year seems quite justified in view of the squeeze on margins at Fine Fare. And the strategy of filling the High Street in the wake of the super-store exodus would inspire more confidence if the shops were of higher quality.

Nevertheless, the sentiment cycle should now have bottomed and the current Dee discount is an over-reaction. The fact that the management failed to appear properly chastised - having served up far more information than usual - is insufficient ground for refusing to touch the stock. Gateway profits were impressive and the balance sheet remains strong despite the heavy investment. However news of the ADR - justified, no doubt, given the size of the US operation - was not want the market wanted to hear, and, unless, that issue could somehow be combined with release of the overhanging ABF stake a rehabilitation looks some way off.

GUS

Great Universal Stores is more of a macroeconomic indicator than an individual retail group and its results for the year to March 31 show a steady improvement in the national consumption trend. Sales are up just 9 per cent, but GUS has been able to polish that up into a pre-tax profits gain of 16 per cent and, thanks to a lower tax charge, an earnings per share improvement of almost 23 per cent.

The catalogue-based business has been strong, in Continental Europe as well as the UK, and the investment in new technology for order-taking and warehouse control has been paying off. Financial services have also slightly raised their percentage contribution to profits, despite the adverse impact of lower interest rates on dollar deposits which helped to explain a setback in North American earnings.

With the "A" shares quoted at 14⅛, the p/e of 15.7 offers solid value, though a market looking for more excitement has concentrated on the Ordinary, now standing at a premium of more than 50 per cent on expectations of compensation when enfranchisement proposals come. So they may one day, but nothing at GUS ever happens quickly.

Smiths Industries

The only anxiety surrounding Smiths Industries widely applauded acquisition of Lear Siegler Avionics derives from the fact that so many other leading UK companies appear to have looked it over and walked away. But assuming the provisions covering cost over-runs at Lear do not climb too high and the US Navy contract assessment does not leave too many scars the price does not look excessive.

The initial dilution should be minor enough, and the prospects of bringing Lear's margins closer to Smiths' levels combined with the savings from cutting out the R&D over-lap look tempting. Lear is well placed to deal with the slow-down in US defence spending and provides Smiths with a better military/civil balance in avionics. Still, in the short-term Smiths looks fairly priced and it should avoid the temptation of issuing more paper too soon (perhaps for a medical acquisition) especially as the rights discount is likely to be thin.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	33	91	Malta	S	39	102	Rhodes	S	38	100
Algiers	S	31	88	Edinburgh	C	18	64	Manchester	C	16	61	Rio de J'o	C	21	69
Amsterdam	C	21	70	Faro	S	23	73	Manila	C	33	91	Rome	C	36	97
Athens	S	43	109	Florence	S	31	88	Melbourne	C	11	52	Salzburg	F	24	75
Bahrain	S	38	100	Frankfurt	C	13	55	Mexico City	C	22	72	San Francisco	C	20	68
Bangkok	S	35	95	Funchal	F	24	75	Miami	C	30	86	Seoul	C	25	77
Barcelona	F	24	75	Geneva	S	22	72	Milan	S	27	81	Singapore	R	31	88
Beirut	S	27	81	Gibraltar	F	24	75	Montreal	C	31	88	Stockholm	S	30	86
Belfast	F	16	61	Glasgow	C	18	64	Moscow	F	27	81	Strasbourg	C	22	72
Belgrade	S	34	93	Guernsey	C	14	57	Munich	S	22	72	Sydney	R	13	55
Berlin	C	24	75	Helsinki	S	26	79	Nairobi	-	-	-	Taipei	C	34	93
Biarritz	C	16	61	H. Kong	C	26	79	Naples	S	35	95	Tangier	F	24	75
Bombay	-	-	-	Innsbruck	F	23	73	Nassau	S	36	97	Tel Aviv	S	32	90
Bordeaux	C	21	70	Inverness	S	17	63	New Delhi	S	38	100	Tenerife	C	26	79
Brussels	F	20	68	Islamabad	S	41	105	New York	S	34	94	Tokyo	S	36	97
Budapest	S	32	90	Istanbul	S	35	95	Nice	S	26	79	Toronto	C	32	90
B. Aires	R	13	55	Jakarta	S	34	93	Nicosia	S	40	104	Tunis	S	37	99
Cairo	S	40	104	Jersey	C	17	63	Oporto	F	17	63	Valencia	C	26	79
Cape Town	S	24	75	Jo'burg	S	14	57	Oslo	S	27	81	Venice	S	30	86
Caracas	C	25	77	Lima	C	20	70	Paris	C	19	66	Vienna	S	27	81
Casablanca	S	24	75	Lisbon	S	26	79	Peking	S	31	88	Warsaw	C	24	75
Chicago	S	33	91	London	C	16	61	Prague	F	23	73	Washington	S	29	84
Cologne	R	17	63	Los Angeles	S	26	79	Reykjavik	C	11	52	Zurich	C	18	64
Copenhagen	C	19	66	Luxembourg	F	18	64								
Corfu	S	38	100	Madrid	S	33	91								
Dallas	-	4	-	Majorca	S	28	82								
Dublin	C	17	63	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Iran spells out line to end Gulf war

Continued from Page 1

Security Council to oversee ceasefire arrangements and is expected to visit Baghdad and Tehran shortly.

Observers noted that he made no mention of Iran's main demand for ending the war - the ousting of Iraq's President Saddam Hussein. Instead, he placed the onus on Iraq to desist from attacking ships and on the international community to comdemn Iraq as the original aggressor in the war.

Baghdad, which has welcomed the Security Council resolution and said it will comply if Iran does, is also coming under strong pressure from Security Council members, especially Britain, not to raise tension by resuming its attacks on shipping.

In the Gulf itself yesterday, Iranian naval patrols resumed checks on shipping within hours of the safe passage of the US convoy escorting two tankers through the Strait of Hormuz.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday July 24 1987

Deficit at BankAmerica bigger than expected

BY OUR NEW YORK STAFF

BANKAMERICA Corporation, the struggling West Coast banking giant which has been seeking new capital in Japan, lost a larger than expected $1.14bn, or $7.40 per share, in the second quarter but said its net credit losses and non-performing loans were starting to decline.

The San Francisco-based banking giant had warned last month that it would report a $1bn second-quarter loss after adding $1.1bn to its allowance for credit losses on loans to developing countries.

Mr A.W. Clausen, BankAmerica's chief executive, said the group's primary capital ratio continued to increase and the increase in the allowance for credit losses "should not affect BankAmerica's fundamental recovery."

"Improvement can be seen in the decline in actual credit losses, which decreased for the third consecutive quarter, and in the decline in non-accrual loans.

"As we move forward, operating results should reflect our intensified efforts to generate revenue, reduce operating expense and strengthen the quality of our portfolio," Mr Clausen said.

The annualised ratio of net credit losses to average loans outstanding was 1.41 per cent in the second quarter compared with 1.86 per cent a year ago and the group's non-accrual loans fell by $403m to $5bn from the end-March level.

In addition to boosting the loan loss reserve several other actions were taken which depressed the latest results.

The group reduced by $85m the carrying value of its subsidiary in Argentina in conjunction with a change in its focus in that country and its net income was depressed by another $23m to cover problems with a new computer system.

The reserve for vacant office space, reflecting the reduction in staff numbers, was increased in the latest quarter and this reduced net income by another $14m.

The continued non-accrual status of the group's Brazilian loans reduced earnings by $38m. However, the group took $102m of gains into its net income from the sale of its consumer trust division, Bankhaus Centrale credit and its West German credit card operations.

BankAmerica shares slipped by $⅜ to $10⅛ in early trading yesterday.

● Financial Corporation of America (FCA), the troubled West Coast savings bank group, lost $176.8m, or $5.01 per share, in the second quarter.

The group had already forecast that its losses would be in the range of $150m to $200m because of its decision to add $165.5m to its reserve for losses on loans and real estate.

Salomon hit by trading losses

BY ROD ORAM IN NEW YORK

SALOMON, Wall Street's largest securities firm has suffered a collapse in second quarter profits because of "unprecedented conditions" in bond markets.

Bond prices fell some 15 per cent in a few weeks from late March on a wave of bad news.

The main influences were a sharp fall in the dollar triggered by signs of a US-Japan trade war and fears that the US inflation rate was about to accelerate rapidly.

Not all firms were afflicted equally although some analysts estimate Wall Street's total trading losses in the quarter could have been close to $1bn.

First Boston and Merrill Lynch reported poor results because of trading losses of over $100m and nearly $300m respectively.

Morgan Stanley, in contrast, appeared to avoid the worst of the rout and turned in a 37 per cent increase in profits.

Salomon, with the reputation for being the most aggressive and influential trader on the Street, has declined to comment on market rumours that it had a trading loss of around $100m.

Mr John Gutfreund, chairman, said yesterday: "The second quarter was a disappointment. We take some cold comfort that the reduction in earnings was due to unprecedented conditions that are unlikely to be repeated."

Net profits for Salomon Inc., the parent company, dropped 66 per cent to $40m, or 26 cents a share in the three months ended June, from $117m, or 78 cents, a year earlier.

Revenues fell to $1.4bn from $1.62bn. First half net was $189m, or $1.24, against $307m, or $2.05, on revenues of $3.12bn against $3.46bn.

Marzotto buys ENI offshoot

BY ALAN FRIEDMAN IN MILAN

MARZOTTO, the publicly quoted Italian textile and clothing company which is based in the Veneto region of northeastern Italy, is to pay L168bn ($125m) to acquire from the ENI state holding group its Lanerossi textile subsidiary, as reported briefly yesterday.

The sale represents ENI's biggest privatisation sale to date and ranks as one of the larger privatisation deals by Italian state industry. The deal was handled by Paribas, the French merchant bank.

Marzotto, which last year made L21.5bn net profit on L679bn total revenues, succeeded with a bid which defeated the front-runners, Benetton and Inghirami, both major clothing companies. Also bidding were Bertrand, a smaller Italian textiles business, and the Dallfus Mieg group of France.

Lanerossi has been restructured in recent years after heavy losses. The company, which has five yarn and clothing divisions, 12 production plants and 7,000 employees, last year came out of the red with a modest L4.4bn profit on sales of L586bn. The deal will thus nearly double the size of Marzotto's annual turnover.

Marzotto is quoted on the Milan bourse, but is majority controlled by the Marzotto family. The company manufactures for designers such as Missoni and Ferré as well as having other clothing and textile interests.

Marzotto has 18 plants in Italy and 7,500 employees. Its export sales account for roughly 30 per cent of total revenues.

According to ENI, Marzotto has agreed to certain conditions, including a promise to maintain the employment level at Lanerossi. The deal will see Lanerossi sold without its accumulated losses of L140bn, for which ENI will receive tax credits.

Higher crude prices aid Arco

BY OUR FINANCIAL STAFF

ATLANTIC RICHFIELD (Arco), the eighth largest US oil group, has boosted second-quarter profits to $330m or $1.80 a share from $150m or 83 cents on revenues of $410bn against $3.55bn previously.

The group, which is considering floating off part of its chemical business, saw a sharp improvement in its worldwide oil and gas operations which produced net profits of $243m in the period, against a net loss of $1m in the same period last year.

The improvement was attributed mainly to higher prices for crude oil and natural gas liquids. Oil and gas earnings also reflected a $30m gain from the settlement of natural gas contract disputes.

Lower margins, however, depressed refining and marketing operations where profits slipped to $45m from $121m.

Coal operations improved, showing net profits of $18m against $15m. But transportation earnings slipped $8m to $83m.

The Arco chemical division produced earnings of $70m, up from $41m.

For the half-year, net earnings totalled $569m or $3.11 a share against $449m or $2.47 for the same period last year on revenues barely changed at $7.85bn.

● Amerada Hess, the New York-based petroleum refiner and marketer, saw its net profits jump sharply in the second quarter, from $19.7m or 24 cents a share to $89.4m or $1.06. This made a total of $270.9m or $3.21 a share for the first half, against a loss of $319.6m in the same period last year.

The latest six-month figures include a tax credit of $111.8m

N. American quarterlies

AMERICAN PETROFINA

Second quarter	1987 $	1986 $
Revenue	810.4m	489.8m
Net profits	28.7m	4.43m
Net per share	2.16	0.37
Six months		
Revenue	1.15bn	974.3m
Net profits	48.5m	135.3m
Net per share	3.68	12.94

† Loss

GM HUGHES ELECTRONICS
Electronics

Second quarter	1987 $	1986 $
Revenue	2.6bn	2.8bn
Net profits	178m	170.2m
Net per share	0.86	0.85
Six months		
Revenue	5.3bn	5.31bn
Net profits	353.2m	323.6m
Net per share	1.77	1.62

COOPER INDUSTRIES
Drilling equipment

Second quarter	1987 $	1986 $
Revenue	895.2m	900.8m
Net profits	45.4m	36.7m
Net per share	0.91	0.76
Six months		
Revenue	1.7bn	1.78bn
Net profits	73.0m	62.5m
Net per share	1.47	1.29

HASBRO
Toys and games

Second quarter	1987 $	1986 $
Revenue	290.9m	323m
Net profits	14m	25.1m
Net per share	0.24	0.43
Six months		
Revenue	570.2m	577m
Net profits	30.3m	43.8m
Net per share	0.52	0.76

JOHNSON AND JOHNSON
Toiletries, drugs

Second quarter	1987 $	1986 $
Revenue	2.0bn	1.7bn
Net profits	224.4m	186.8m
Net per share	1.30	1.04
Six months		
Revenue	4.0bn	3.5bn
Net profits	469.9m	53.3m
Net per share	2.66	0.29

MCORP

Second quarter	1987 $	1986 $
Revenue	n/a	n/a
Net profits	†114.9m	21.7m
Net per share	†2.79	0.44
Six months		
Revenue	n/a	n/a
Net profits	†125m	†98m
Net per share	†3.12	†2.45

† Loss

NEW YORK TIMES
Newspaper publisher

Second quarter	1987 $	1986 $
Revenue	426.3m	401.2m
Net profits	44.1m	36.8m
Net per share	0.54	0.45
Six months		
Revenue	835.3m	776.7m
Net profits	85.2m	70.8m
Net per share	1.04	0.87

PANHANDLE EASTERN
Energy distribution

Second quarter	1987 $	1986 $
Revenue	325.1m	472.4m
Op. net profits	21.6m	20.1m
Op. net per share	0.41	0.43
Six months		
Revenue	[illegible]	1.23bn
Op. net profits	64.4m	60.7m
Op. net per share	1.22	1.32

A. H. ROBINS
Pharmaceuticals

Second quarter	1987 $	1986 $
Revenue	182.2m	172.6m
Net profits	7.7m	8.3m
Net per share	0.32	0.34
Six months		
Revenue	361.8m	354.1m
Net profits	33.7m	30.7m
Net per share	1.40	1.27

RYDER SYSTEM
Truck leasing

Second quarter	1987 $	1986 $
Revenue	1.15bn	918.6m
Net profits	54.4m	46.4m
Net per share	0.67	0.60
Six months		
Revenue	2.23bn	1.77bn
Net profits	98.7m	70.2m
Net per share	1.08	0.91

TRIANGLE INDUSTRIES
Packaging

Second quarter	1987 $	1986 $
Revenue	1.19bn	694.2m
Op. net profits	38.1m	19.5m
Op. net per share	1.30	1.35
Six months		
Revenue	2.10bn	1.19bn
Op. net profits	44.4m	22.7m
Op. net per share	1.59	1.55

PIEDMONT AVIATION

Second quarter	1987 $	1986 $
Revenue	551.2m	475.6m
Net profits	46.4m	36.7m
Net per share	2.15	1.88
Six months		
Revenue	1.0bn	878.7m
Net profits	82.1m	29.8m
Net per share	2.40	1.53

UK bank reports advance of £251m

By Hugo Dixon in London

MIDLAND BANK has no more businesses for sale, Sir Kit McMahon, the group's chairman and chief executive, said yesterday, when he announced pre-tax profits of £251m (US$399m) for the six months to June 30, 29 per cent up on the same period a year before.

The result was achieved, however, only as a result of Midland's decision to show provisions of £916m for its exposure to third world debt as an extraordinary item charged against reserves. Otherwise it would have recorded a £665m pre-tax loss. Sir Kit defended this unusual practice by saying it was fully supported by the group's auditors.

Following the bank's decision earlier this month to make the provisions for its exposure to the third world and to sell its Scottish and Irish subsidiaries, it has received offers for other parts of the group.

In particular, Morgan Stanley, the American investment bank, has tried to buy Greenwell Montagu Stockbrokers, Midland's broker, while TSB, the financial services group, has made an offer for Thomas Cook, its travel agency business.

However, Sir Kit said: "We do not have 'for sale' notices on various businesses." Midland would continue in the equity business and Sir Kit expressed confidence that he would be able to prevent the disintegration of Greenwell, where there have been threats of mass resignations since Midland rejected Morgan Stanley's offer.

Sir Kit said: "There has been a great deal of nonsense written about Greenwell's equity business." Midland needed a stockbroker to link with its merchant and international banking operations.

All the profit growth came from the group's domestic operations, which increased their contribution by 51 per cent to £219m. Higher lending to the personal sector and better cost control were the main factors.

Profits from international banking were hit by Brazil's moratorium on interest payments and the appreciation of sterling, which meant that the value of the group's dollar income was depressed. As a result, profits increased only modestly from £18m to £19m.

Investment banking did even worse, with profits falling three quarters to £13m. There were unspecified losses on UK equities and US government securities.

Anheuser posts $181m increase

By Our New York Staff

ANHEUSER-BUSCH, the world's biggest brewer has reported a 19.3 per cent rise in its second quarter net income to $181.8m and an increased share of the US beer market. The company underlined its confidence in its continued steady growth by raising its dividend by 25 per cent.

The group's earnings per share rose by 22.4 per cent to 60 cents a share in the second quarter. Mr August Busch III, the chairman of the group whose Budweiser beer dominates the US beer industry, said the board of directors had voted to increase the quarterly dividend from 12 cents a share to 15 cents a share.

Mr Bush attributed the company's performance to continuing strong performance of the company's beer operations, higher profitability from several non-beer subsidiaries and a lower tax rate, following the passage of the 1986 Tax Reform Act.

Although the group's pre-tax profits rose 10 per cent to $311.2m in the second quarter, the $129.4m the group paid in tax was slightly less than the comparable 1986 figures.

Bell Canada earnings unchanged

By Robert Gibbens in Montreal

BELL CANADA Enterprises, the telephone, telecommunications equipment, energy and real estate group, earned C$254m (US$192.4m) or 91 cents a share in the second quarter, unchanged from a year earlier when earnings were equal to 95 cents a share on fewer shares outstanding. Revenues were C$3.7bn against C$3.4bn.

Canada's most widely held company whose stock is listed in North America, Europe and Japan, reported first half earnings of C$502m or C$1.81 a share against C$494m or C$1.88 a share on fewer shares outstanding a year earlier.

Ford well ahead as GM loss position improves

BY WILLIAM HALL IN NEW YORK

FORD MOTOR, the second biggest US motor manufacturer, increased its second-quarter net income by 39 per cent to $1.5bn while General Motors, its larger rival, reported a smaller than expected 4 per cent decline in its second-quarter net income to $980.3m.

Ford's second-quarter earnings per share of $5.81 were marginally higher than the previous record $5.73 set in the first quarter.

General Motors earnings of $2.80 per share were 12 cents down on the comparable year ago figure.

General Motors, whose lacklustre performance in recent quarters has been overshadowed by Ford's record earnings, said its "relatively strong year-to-year performance in the second quarter demonstrates GM's growing ability to achieve significant earnings despite a 14 per cent sales decline."

Ford's worldwide sales rose by 13 per cent to $19.5bn in the second quarter and factory unit sales rose 1 per cent to 1.69m. This compares with sales of $18.1bn in the first quarter of 1987 and unit sales of 1.64m.

By contrast GM's sales fell by 3.4 per cent to $26.7bn in the second quarter and its factory sales fell from 2.4m units to 2.06m units in the second quarter, for which US sales accounted for 1.42m units.

GM says that the impact of the year-to-year decline in volume was largely offset by improved manufacturing efficiencies, better operating performance overseas and the reduced impact of incentive programmes in the US.

Record profits from General Motors Acceptance Corporation (GMAC) also helped the latest results.

Ford, which yesterday reported a 16.7 per cent rise in its mid-July US car sales, said retail sales of Ford cars and trucks in the US increased by more than 5 per cent in the latest quarter compared with an industry decline of more than 5 per cent.

Ford's Taurus and Escort were the two best-selling cars in the US and in Europe but strong sales of the Sierra and Transit trucks contibuted to market share gains.

The group continues to strengthen its position as the most successful of the big three US motor manufacturers.

SEC says action by Pennzoil violated laws on securities

BY OUR NEW YORK STAFF

THE CHANCES that the outcome of Pennzoil's $10bn-plus legal battle with Texaco, the big embattled US oil group, will be decided by the US Supreme Court have increased substantially following the decision of the Securities & Exchange Commission (SEC) that Pennzoil had violated federal securities laws.

The SEC has submitted a friend-of-the-court brief urging the Texas Supreme Court to review whether Pennzoil's alleged 1984 contract to purchase Getty Oil company stock from the J.Paul Getty Museum violated SEC rule 10b-13.

The Texas Court of Appeals had ruled that there was no such violation but the SEC argues that there was. The SEC's brief does not address any other issue in the case and takes no position on its outcome.

The brief does not address Texaco's argument that, if the alleged contract violated rule 10b-13, Texaco cannot be held liable for interfering with the contract.

Texaco has maintained that Pennzoil never had a valid, enforceable contract to purchase Getty Oil and that even if Pennzoil had had such a contract it would have been void and unenforceable because Pennzoil had violated rule 10b-13.

Texaco said it was "extremely pleased" by the SEC filing and believed that if the Texas Supreme Court or the US Supreme Court accepts the SEC argument, the lower court should be directed to enter judgement for Texaco, and Pennzoil would be entitled to nothing.

The SEC decision to intervene in the case is important because it means that if Texaco cannot win its case in the Texas court system a good chance exists that the US Supreme Court will agree to hear the case. This is because a federal agency has argued that federal laws have been violated.

Many Wall Street analysts believe Texaco would get a fairer hearing in the US Supreme Court than it has had so far in the Texas court system.

Mr Fred Leuffer, a leading oil analyst with Cyrus J. Lawrence, said the SEC decision was "clearly beneficial to Texaco but is not a case-winner."

It increased the chances that Texaco would be able to take its case to the Supreme Court.

Texaco shares rose by $¼ to $46¾ in early trading yesterday. Pennzoil shares fell by $2¾ to $74.

Record showing at Walt Disney

By Our New York Staff

WALT DISNEY has turned in another set of record results thanks to good performances by its theme park, film and consumer products divisions. The pace of growth slowed slightly, however, from the previous quarter.

Net profits rose 61 per cent to $128.4m, or 93 cents a share, in the third quarter ended June from $79.7m, or 58 cents, a year earlier. Revenues grew by 26 per cent to $819.4m from $647.9m.

After nine-months, net profits totalled $309.4m, or $2.25 a share, up 86 per cent from the year earlier's $166.2m, or $1.23 a share. Revenues were up 34 per cent at $2.34bn against $1.74bn.

Increased attendance and higher per-capita guest spending at Disneyland and Disney World helped boost theme park and resort operating profits by 35 per cent in the third quarter to $188.6m from $140m.

Operating profits from films jumped 81 per cent to $20.6m from $11.4m a year earlier reflecting "outstanding" domestic home video sales and licensing of films for television showing.

In addition, Disney continues to benefit from its regained status as a leading studio. A string of successful films has put it back in the top five in terms of US box office receipts.

The number one US box office hit this week is "Snow White and the Seven Dwarfs," re-released to mark its 50th anniversary. The film is on track to set company records for first week revenues and an industry record for an animated movie.

Increased foreign licensing fees helped increase operating profits of the consumer products segment by 54 per cent in the third quarter to $24.3m.

Elders and Goodman to unwind holdings

By Chris Sherwell in Sydney

ELDERS IXL, the Australian-based brewing, pastoral and finance conglomerate, and Goodman Fielder, the regional food giant with interests in Australia and New Zealand, are expected to unwind their significant 15 per cent cross-shareholdings under an arrangement announced by Goodman Fielder last night.

The arrangement will give Goodman Fielder proceeds of A$750m (US$532m) to continue its ambitious efforts to build a global food business. It already has a 15 per cent stake in Ranks Hovis Macdougall of the UK and is seeking a position in the Ranks board.

The deal also appears to signal structural changes at Elders IXL, which has expanded rapidly abroad, notably in Britain with last year's £1.5bn (US$2.4bn) purchase of Courage and in Canada with the acquisition of the Carling O'Keefe brewing group.

Last night's statement said Goodman Fielder had entered into option agreements with interests associated with AFP Investment Corporation—an Australian investment group best known in Britain for its acquisition of Gestetner late last year, but which is controlled by businessmen closely connected with Mr John Elliott, the Elders chief.

Mr Peter Scanlon, one of the key figures at AFP, sits with Mr Elliott on the board of Goodman Fielder, in which Elders has 74m shares, or just under 15 per cent. Mr Bob Gunn represents Goodmans at Elders, in which Goodmans has 144m shares, also just under 15 per cent.

Under the terms of the options agreements, AFP can require Goodman Fielder to sell to AFP its 144m Elders shares at a price of A$5.24 per share in the first half of July next year.

Goodmans can similarly require AFP to purchase the shares on the same terms.

The agreements also stipulate that Elders enter into an option agreement for the shares it holds in Goodmans in favour of a purchaser approved by Goodmans.

One notable feature of the arrangement is that it is contingent on "the implementation of AFP's proposals for restructuring of Elders." Details remained under wraps last night and are only likely to emerge in the next few days.

Mr Pat Goodman, chairman of Goodman Fielder, said last night that while the cross-shareholding had been "most rewarding" to the company, "maintaining an equity-accounted position represents an increasingly heavy demand on our financial resources."

The AFP proposals, he said, "offer a unique opportunity for Goodman Fielder to realise a favourable price on our shareholding in Elders." Profit on book value was put at A$200m.

Details of AFP's proposals for Elders will be awaited with interest. The group has options over an estimated 18 per cent of Elders shares. These spring from the stake which BHP, Australia's largest company, took in Elders last year when BHP was the subject of a takeover battle involving Mr Elliott and Mr Robert Holmes à Court's Bell Resources.

AFP only sprang into prominence last year. Apart from the BHP-related deal, it announced in November that it had raised A$108m to pursue investment opportunities abroad. Shortly after that it acquired Gestetner of the UK.

Suspension stays on trade in First Capital shares

BY ROGER MATTHEWS IN SINGAPORE

THE SINGAPORE Stock Exchange yesterday refused a request from First Capital Corporation, the property company headed by Mr Allan Ng, to lift the suspension of trading in its shares.

A statement from First Capital on Wednesday night sought to reassure shareholders that no official investigations were being carried out into the activities of the company.

In a letter to First Capital, the Stock Exchange said its request for the suspension to be lifted had been turned down because "the Exchange believes that the statement by your board is incomplete."

The letter referred particularly to a news item in the Straits Times, which said that officers from the Commercial Affairs Department of the Ministry of Finance had interviewed a number of top officials in First City Holdings, Mr Ng's private investment company, which holds a 24 per cent stake in First Capital Corporation.

The Stock Exchange asked First Capital for a fuller announcement, confirming or denying the Straits Times report. There have been persistent reports in the past few days that the Commercial Affairs Department is still looking into share dealings during the course of this year involving First City and First Capital, Standard Chartered Bank, Standard Chartered Merchant Bank, and Monsia Investments, a Malaysian company controlled by Mr Yap Yong Seong.

The origins of First Capital stem from the purchase by First City of a block of shares in Seallion Hotels for 71 cents each, which had been mortgaged to Standard Chartered against S$100m (US$47m) in loans to Monsia Investments. Seallion was subsequently renamed First Capital Corporation.

Standard Chartered sold the remainder of the shares in First Capital last week for S$62.7m through a placement with stock broker, G. K. Goh. Foreign institutions purchased the shares at S$2.30 each.

However, Monsia appears to have protested at both the original and subsequent sale by Standard Charter. It claims that it was improper of Standard Chartered to sell the shares without its consent and alleged that earlier this month it had been given just three hours by the bank to repay S$65.77m plus interest. It also questions whether the best possible price was achieved for the shares.

The controversy surrounding First Capital could, if not quickly resolved, put at risk Mr Ng's latest property acquisition, which was to be paid for through a rights issue which aimed to raise S$160m.

First Capital shares have been very actively traded in the past few months, climbing from a low of 70 cents to a peak of S$3.54, as the company engaged in a series of multimillion dollar property deals.

Wharf Holdings in HK$1bn project

By Kevin Hamlin in Hong Kong

WHARF HOLDINGS, the property company controlled by Sir Yue-Kong Pao, yesterday announced plans to build a HK$1bn (US$128m) office and retail complex in Hong Kong Island's Causeway Bay district, and at the same time reported pre-tax profits up 9.7 per cent to HK$1.279bn for the year ended in March.

Mr Peter Woo, chairman and managing director, said the planned project, tentatively named Time Square, is scheduled for completion by 1991, and would have 1.1m sq ft of office space and some 500,000 sq ft of retail space. The new complex will emerge from the redevelopment of a group tramway depot.

Mr Woo also said Wharf is interested in tendering for the Container Terminal Number Seven project at Kwai Chung, and has held discussions with other prospective investors.

Profits attributable to shareholders surged 42.8 per cent to slightly more than HK$1bn, bolstered by an extraordinary gain of HK$161.7m. That came mainly from the sale of Wharf's 55.6 per cent stake in Lane Crawford, the department store, to World International, Sir YK's ultimate holding company, in October 1986.

Mr Woo, Sir YK's son-in-law, said performance had been aided by the buoyant property market, which resulted in a 20 per cent increase in rental income.

There was no growth from trading operations under Wheelock International, Mr Woo said. This division was sold to World International for HK$450m in cash in May in a further rationalisation of Sir YK's empire. This process has turned Wharf into a totally different entity in this financial year.

Dai Nippon Printing setback

BY YOKO SHIBATA IN TOKYO

DAI NIPPON Printing, the largest printing company in Japan, has reported higher pre-tax profits and sales for the 38th consecutive year, but suffered its first decline in operating profits for 14 years.

Dai Nippon's pre-tax profits rose 2 per cent to Y55.32bn ($383.9m) while net profits rose up 3 per cent to Y26.58bn, on turnover of Y754.72bn, up 5 per cent from the previous year.

As a result of the yen's appreciation and recession in the semiconductor industry, sales at its precision electronics division, which had shown growth in the 20 to 30 per cent range in recent years, fell between 4 and 5 per cent.

In the current year to May 1988, the company foresees a firm trend in its commercial printing division and double-digit sales growth in the card sector.

Dai Nippon projects pre-tax profits at Y47bn, with net profits of Y22.5bn, on turnover of Y754.72bn.

Tappan Printing, the second largest company in the industry, suffered its first fall in pre-tax profits in 32 years, to Y37bn—down 5 per cent. Net profits were 4 per cent higher at Y18.6bn, on turnover of Y616.45bn, up 3 per cent from the previous year.

Sales of the securities printing division rose 6 per cent and those of commercial printing products by 7 per cent. However, sales of precision electronics products declined, affected by weaker demand from semiconductor makers.

For the current fiscal year to March 1988, a favourable trend in sales from securities printing and commercial printing is expected.

With its semiconductor sector having already hit bottom, the company foresees recovery in precision electronics sector. Full-year pre-tax profits are projected at Y32bn, with net profits of Y16bn, on turnover of Y534bn.

Export profitability decline pushes IHI into the red

BY OUR TOKYO STAFF

ISHIKAWAJIMA-Harima Heavy Industries (IHI) Japan's second-largest shipbuilding group, incurred a consolidated net loss of Y23.26bn (£153m) in the year to March 1987 in a turnabout from the previous year's net profits of Y4.65bn.

IHI also registered a consolidated pre-tax loss of Y22.21bn. The figure compared with a consolidated pre-tax profit of Y17.15bn in the previous year.

The earnings decline was blamed on a deterioration in export profitability and a drop in foreign currency-demoninated revenues due to the strength of the yen. The results reflected those of the group's 24 consolidated subsidiaries and eight equity accounted affiliates.

Sales were 4 per cent lower at Y917.3bn. IHI said sales in its non-marine engineering division fell by Y20.5bn, while those of its shipbuilding and other marine divisions declined by 11.3 per cent.

For the current fiscal year to March 1988, IHI is likely to report a consolidated pre-tax loss and net loss owing to the delivery of unprofitable exports of plant which were contracted in previous years, and the continued strength of the yen against the dollar.

Westfield Trust's income soars 40% in first half

BY OUR SYDNEY CORRESPONDENT

CONTINUING DEMAND for retail space in Australian shopping centres has helped Westfield Trust, one of the country's top property trusts, report an increase of more than 40 per cent in net income for the half-year to June.

Figures released yesterday showed net income at A$24m (US$17m), up from A$17m for the same period last year. Total income rose to A$37m from A$27m, while total assets increased to A$581m from A$371m.

Westfield Trust is Australia's largest shopping centre trust. It is managed by the Westfield group, the country's biggest shopping centre operator.

Formed five years ago, the trust's portfolio now comprises 12 regional shopping centres. Eight of these are wholly-owned, five of them in New South Wales.

The most recent acquisitions came last month in the form of a half-share in three centres, two in Adelaide and one in Brisbane. The cost was A$151m, and the purchase lifted the trust's total lettable retail area to 439,000 sq metres.

Payouts to unitholders for the latest six months were increased 7½ per cent to 8.16 Australian cents. The total number of units outstanding is now 337m, up from 245m one year ago.

INTERNATIONAL COMPANIES and FINANCE

Weak dollar boosts Norsk Hydro

BY SARA WEBB IN STOCKHOLM

NORSK HYDRO, Norway's largest publicly quoted company which has interests in oil and gas, fertilisers, petrochemicals and metals, more than doubled its pre-tax profits inthe second quarter due to the stronger performance of its agriculture and petrochemicals divisions as well as to foreign exchange rate gains which have been partly realised and which result from the lower dollar.

The group reported pre-tax profits of NKr 1.09m ($159m) in the second quarter, against NKr 405m in the corresponding period last year, and said that cost-cutting measures implemented last year were beginning to show up but have not shown their full effect yet. Last year, the group showed a net loss—for the first time in over 40 years—amounting to NKr 374m.

In a separate move, Norsk Hydro said yesterday that it has decided to pull out of the industrial gas market in Sweden and Finland after facing intense competition in the Nordic region from the Swedish gas concern Aga.

The company signed a preliminary agreement to sell its two Swedish industrial gas subsdiaries and its stake in a Finnish gas subsidiary to Aga for SKr 250m ($38.6m). The group said it would use the money to strengthen its activities in the industrial gas market in Norway, Denmark and the Benelux countries.

Norsk Hydro says the outlook for 1987 as a whole is still uncertain and depends on developments in the fertiliser and currency markets (since its main products are quoted in dollars).

Pre-tax profits for the half year reached NKr 2.66bn, compared with NKr 1.41bn in the previous year. Group turnover for the first six months totalled NKr 28.46bn, compared with NKr 27.75bn last year.

Norsk Hydro said that results for the fertiliser division are still "unsatisfactory" as prices have not fully recovered. Operating income for the agriculture division reached NKr 328m in the second quarter, compared with NKr 159m in the previous year. The division showed a loss in the last quarter of 1986.

The petrochemical division has turned from a loss to a profit due to higher production of raw materials for plastics, lower raw material prices, and higher sales prices.

Operating income for the oil and gas group fell to NKr 318m in the second quarter, compared with NKr 493m, while half-year results were NKr 1.11bn against NKr 1.17bn.

Under the agreement with Aga, Norsk Hydro will sell its two wholly-owned Swedish subsidiaries DFK Gas and Skandinavisk Gasteknik to Aga as well as its 54 per cent stake in Finska Kolsyreindustri in Finland.

Aga has acquired a further 33 per cent in the Finnish company from Tehokaasu, a subsidiary of Neste, and has an agreement with remaining shareholders to acquire the outstanding shares.

Mr Marcus Storch, managing director of Aga, said that Aga is interested in building up its presence in the carbon dioxide sector with DFK Gas and Finska Kolsyreindustri.

DFK Gas has about 5 per cent of the industrial gas market but almost 70 per cent of the carbon dioxide market in Sweden, according to Norsk Hydro and had pre-tax profits of about SKr 5m on sales of SKr 50m last year.

Finska Kolsyreindustri showed pre-tax profits of about SKr 5m on sales of some SKr 40m.

Puma runs into heavy losses on US side

By Haig Simonian in Frankfurt

PUMA, the West German sports shoe and clothing manufacturer which went public in July last year and has still to produce formal results for 1986, is believed to have made losses in the region of DM 40m ($21.5m) last year.

The company itself would not comment on the reports, which suggests heavy losses on its US business. The company's last official statement on trading came in a letter to shareholders in April forecasting a fall in 1986 turnover to DM 695.7m against DM 880.9m in 1985.

However, further limited information has emerged after Puma's supervisory board meeting on Wednesday. Turnover to June 30 this year was 13 per cent down against the same time last year, with domestic sales falling by only about 6 per cent. Order levels were some 22 per cent above their level the previous year.

The company said it would be unable to pay a dividend to shareholders this year. However, Mr Armin Dassler, Puma's main shareholder and chief executive, said he would be prepared to make a payment without prejudice from his own means, which would be roughly in line with the expected dividend, as a gesture to shareholders.

Puma's supervisory board plans some major management changes, which would be put to shareholders at the annual meeting now expected to take place on October 19. Earlier this month, the meeting was indeterminately postponed from its scheduled date of August 18.

The supervisory board has proposed that Mr Manfred Emcke, the former chief executive of the Reemtsma cigarette group, should take over the job of supervisory board chairman from Mr Vinzenz Grothgar.

Moreover, both Mr Armin Dassler and Mr Gerd Dassler would move over from the managing board of Puma to the supervisory board, while an, as yet unnamed, outsider would come in to replace Mr Armin Dassler as chief executive.

Puma's shares, which have been trading around DM 400 for some time following their peak of around DM 1,500 soon after flotation, closed DM 7 down at DM 397 yesterday.

Lower coffee prices hit Nestle midway

By William Dullforce in Geneva

NESTLE, the Swiss foods group, yesterday reported a 13 per cent decline in first-half turnover but still expects to maintain consolidated net earnings for 1987 as a whole at last year's SFr 1.79bn ($1.16bn).

Group sales reached SFr 17bn in the first six months against SFr 19.4bn in the corresponding period last year. The decline stems from two factors, the strength of the Swiss franc and the low prices for green coffee prevailing in the first half of this year.

The "negative impact" of the decline in the exchange rates of most currencies against the franc is estimated at 21 per cent. Prices for green coffee were reflected in the consumer prices of both instant and roast coffee, which were "significantly lower" than in 1986.

Nevertheless, Nestle said business, measured in local currencies, had shown a good development in most countries as well as in the volume of products sold.

Barring unforeseeable events such as a sharp depreciation in important currencies, the net profit in absolute figures should be maintained in 1987, Nestle said.

Deutsche Bank Canada expands

BY OUR FRANKFURT STAFF

DEUTSCHE BANK, West Germany's largest commercial bank, is buying McClean McCarthy, a small Canadian broker and investment bank, through its Toronto-based subsidiary, Deutsche Bank (Canada).

The cost of the deal, which will take about two months to be cleared by the Canadian authorities, has not been disclosed.

Canadian rules regarding outside shareholdings in securities houses were only changed at the start of July, and Deutsche Bank is one of the first foreign banks to get off the mark.

According to the new Canadian rules, Deutsche Bank will only be able to buy 50 per cent of McClean McCarthy to begin with. However, it intends to take full control when Canadian rules permit after July 1 next year.

McClean McCarthy, set up in 1972, is a small but well managed firm, according to Deutsche Bank, which trades Canadian shares and bonds as well as providing institutional equity research. The firm is represented on the Toronto and Montreal stock exchanges.

Deutsche Bank was the first German bank to become active in commercial banking in Canada in 1981. Deutsche Bank (Canada) has total assets of C$756m at June 30 this year.

The acquisition will allow the bank to develop an investment banking business in Canada. On the securities side, Canadian dollar bonds have often proved attractive to German investors looking for higher yields. This aspect of the group's business has hitherto been the responsibility of Deutsche Bank Capital Markets in London.

Nixdorf first-half sales up 13%

BY OUR FRANKFURT STAFF

TURNOVER at Nixdorf, the West German computer group, rose by 13 per cent in the first half of 1987 to DM 2.1bn ($1.13bn). The company is expecting a double-digit rise in sales for the year as a whole, while earnings "will again increase noticeably," said Mr Klaus Luft, the chief executive.

Domestic sales went up by 18 per cent to DM 1.2bn, while foreign turnover rose by 7 per cent to DM 927m, despite the impact of exchange rate changes.

Nixdorf's results for the first half of the year suggested that its growth would again outpace the industry's average, said Mr Luft.

Order levels now stand 15 per cent higher at DM 5.2bn, and include a number of very large contracts from Austria's savings banks as well as from postal authorities in Germany, Britain, and Norway.

Investment at Nixdorf went up by 16 per cent to DM 274m in the first six month of 1987.

The group took on an extra 2,000 employees in the first six months of the year, taking its workforce to a record 27,450, of whom 18,150 are employed in Germany.

● HERTIE, the West German retail chain, has bought a 24.9 per cent stake in Schuermann Elektrohandels, the electricals retailer, Reuters reports from Frankfurt.

The company said it would take over the retailer completely if the German Federal Cartel Office raised no objections. It added that Schuermann's 15 shops, which are mostly located in the Bonn area, had a turnover of DM 148m

CCF forecasts rise in profit

CREDIT COMMERCIAL de France (CCF), the recently privatised French bank, expects to see a rise in profits for the first six months of 1987, due to increased activity, Reuter reports from Paris. The bank said deposits were up by 10 per cent and loans to individuals had increased by 22 per cent. Loans to industry rose by 6 per cent and the development of banking services had increased commissions by 17 per cent.

Transvaal

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Report of the Directors for the quarter ended June 30 1987

WESTERN DEEP LEVELS

Western Deep Levels Limited

Registration No 57/02549/06

ISSUED CAPITAL: 27 194 115 shares of R2 each 59 968 S ordinary shares of R2 each (Previously 27 194 115 ordinary shares of R2 each)

	Quarter ended June 1987	Quarter ended Mar 1987	Six months ended June 1987
OPERATING RESULTS			
Gold			
Area mined—m² 000	215	211	426
Tons milled 000—reef	1 028	980	2 008
—waste	485	479	964
—total	1 513	1 459	2 972
Yield—g/t—reef	9.01	8.96	8.97
—waste	1.35	1.52	1.44
—average	6.57	6.52	6.54
Production—kg	9 934	9 509	19 443
Cost—R/m² mined	633.28	624.66	629.01
—R/ton milled	89.99	90.34	90.16
—R/kg produced	13 706	13 861	13 782
PRICE RECEIVED ON SALES			
Gold—R/kg	28 804	27 109	28 035
—$/oz	445	403	426
FINANCIAL RESULTS	R000	R000	R000
Turnover	312 379	278 224	590 603
Gold—revenue	291 570	254 990	546 560
—costs	136 155	131 804	267 959
—profit	155 415	123 186	278 601
Uranium oxide profit	8 816	10 290	19 106
Net sundry income	3 842	6 033	9 875
Profit before taxation	168 073	139 509	307 582
Provision for taxation	62 411	60 230	122 641
Profit after taxation	105 662	79 279	184 941
Appropriation for capital expenditure	63 004	38 358	101 362
Profit available	42 658	40 921	83 579
Dividend—interim			79 037
Retained profit for the six months			4 542
Earnings per share—cents	157	150	307
Capital expenditure—R000	64 594	38 358	102 952

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended June 1987							
Ventersdorp Contact reef	6 534						
Carbon Leader reef	8 047	14	31.9	101.72	3 245	0.75	23.85

DIVIDEND

The interim dividend of 290 cents a share on the ordinary shares and S ordinary shares in respect of the year ending December 31 1987 was declared on July 23 1987, payable to members registered on August 7 1987 and will be paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1987 totalled R79 261 000.

INCREASE IN ISSUED SHARE CAPITAL AND TERMINATION OF LISTINGS OF CERTAIN OF THE 12 PER CENT UNSECURED DEBENTURES AND SHARE OPTIONS

Attention is directed to the notice published in the press on July 3 1987 relating, inter alia, to: (i) the increase in the issued share capital of the company by 59 968 S ordinary shares of R2 each, and the listing thereof by The Johannesburg Stock Exchange and The Stock Exchange in London; (ii) the termination of the listing of 1 866 533 12 per cent unsecured debentures; and (iii) the termination of the listing of 59 968 share options.

EARNINGS PER SHARE

The S shares issued rank for the interim dividend and the earnings per share have been calculated on the total shares now in issue.

For and on behalf of the board
E.P. GUSH
T. L. PRETORIUS } Directors

July 24 1987

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited

Registration No 05/17354/06

ISSUED CAPITAL: 19 000 000 shares of 50 cents each

	Quarter ended June 1987	Quarter ended Mar 1987	Six months ended June 1987
OPERATING RESULTS			
Totals:			
Gold			
Area mined—m² 000	530	527	1 057
Tons milled 000—reef	2 530	2 742	5 272
—waste	337	200	537
—total	2 867	2 942	5 809
Yield—g/t—reef	7.19	7.12	7.16
—waste	0.75	0.92	0.80
—average	6.43	6.70	6.57
Production—kg	18 445	19 713	38 158
Cost—Complex			
—R/m² mined	501.25	480.39	490.85
—R/ton milled	92.66	86.05	89.31
—R/kg produced	14 403	12 842	13 597
Uranium oxide			
Tons treated—000	2 264	2 303	4 567
Yield—kg/t	0.20	0.20	0.20
Production—kg	443 318	464 840	908 158
PRICE RECEIVED ON SALES			
Gold—R/kg	28 945	27 195	27 977
—$/oz	447	406	424
FINANCIAL RESULTS	R000	R000	R000
Turnover	682 155	643 742	1 325 897
Gold—revenue	529 899	531 915	1 061 814
—costs	265 663	253 163	518 826
—profit	264 236	278 752	542 988
Uranium oxide profit	89 806	109 083	198 889
Tribute profit	13 400	13 693	27 093
Net sundry income	13 456	9 883	23 339
Dividend from Southvaal Holdings Limited—interim declared July 1987	23 400	—	23 400
	404 298	371 411	775 709
Royalties to:			
—Southvaal Holdings Limited	95 206	88 706	183 912
—The Afrikander Lease Limited	600	270	870
—Anglo American Gold Investment Company Limited	23	16	39
Profit before taxation	308 414	282 474	590 888
Provision for taxation	126 045	148 413	274 458
Profit after taxation	182 369	134 061	316 430
Appropriation for capital expenditure	75 180	51 908	127 088
Profit available	107 189	82 153	189 342
Deduct: Dividend—interim	—	—	180 500
Retained profit for the six months			8 842
Earnings per share—cents	564	432	996
Capital expenditure—R000	74 539	47 027	121 566
CONSOLIDATED PROFIT			
Consolidated profit, after providing for taxation, of the company and its wholly-owned subsidiary, Western Reefs Exploration and Development Company Limited	182 426	134 135	316 561
OPERATING AND FINANCIAL RESULTS			
North Lease area			
Gold			
Area mined—m² 000	305	311	616
Tons milled 000—reef	1 380	1 523	2 903
—waste	219	128	347
—total	1 599	1 651	3 250
Yield—g/t—reef	6.74	6.87	6.80
—waste	0.81	0.52	0.66
—average	5.88	6.41	6.15
Production—kg	9 407	10 577	19 984
Cost—R/m² mined	491.70	445.84	468.55
—R/ton milled	93.79	83.98	88.81
—R/kg produced	15 942	13 109	14 443
Uranium oxide			
Tons treated—000	1 083	1 075	2 158
Yield—kg/t	0.15	0.17	0.16
Production—kg	167 404	181 630	349 034
	R000	R000	R000
Gold—revenue	270 448	285 357	555 805
—costs	149 970	138 657	288 627
—profit	120 478	146 700	267 178
Uranium oxide profit	35 533	28 050	63 583
Tribute profit	4 776	6 384	11 160
	160 787	181 134	341 921
Capital expenditure	43 023	29 720	72 743
South Lease area			
Gold			
Area mined—m² 000	203	190	393
Tons milled 000—reef	1 035	1 088	2 123
—waste	94	46	140
—total	1 129	1 134	2 263
Yield—g/t—reef	8.39	8.16	8.28
—waste	1.20	1.15	1.18
—average	7.80	7.87	7.83
Production—kg	8 803	8 927	17 730
Cost—R/m² mined	544.22	572.69	557.99
—R/ton milled	97.85	95.95	96.90
—R/kg produced	12 550	12 189	12 368

SOUTHVAAL HOLDINGS LIMITED
Registration No. 66/11806/06
and THE AFRIKANDER LEASE LIMITED
Registration No. 01/06955/06
The attention of shareholders of these companies is directed to the report of VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED

VAAL REEFS—continued

	Quarter ended June 1987	Quarter ended Mar 1987	Six months ended June 1987
Uranium oxide			
Tons treated—000	1 181	1 228	2 409
Yield kg/t	0.23	0.23	0.23
Production—kg	275 914	283 210	559 124
	R000	R000	R000
Gold—revenue	252 711	240 862	493 573
—costs	110 477	108 812	219 289
—profit	142 234	132 050	274 284
Uranium oxide profit	53 743	40 644	94 387
Tribute profit	8 624	7 309	15 933
	204 601	180 003	384 604
Deduct:			
Capital expenditure	31 271	16 980	48 251
Repayment of loan and interest to Southvaal Holdings Limited	244	243	487
Repayment of consumer loan	(15)	1 496	1 481
Surplus subject to royalty	173 101	161 284	334 385
Royalty to Southvaal Holdings Limited (55 per cent of surplus)	95 206	88 706	183 912
Capital expenditure	31 271	16 980	48 251
Afrikander Lease area			
Area mined—m² 000	22	26	48
Tons milled 000—reef	115	131	246
—waste	24	26	50
—total	139	157	296
Yield—g/t—reef	1.86	1.50	1.67
—waste	0.88	0.50	0.68
—average	1.69	1.33	1.50
Production—kg	235	209	444
Cost—R/m² mined	237.49	219.00	227.29
—R/ton milled	37.53	36.27	36.86
—R/kg produced	22 196	27 244	24 572
Gold Section	R000	R000	R000
Gold—revenue	6 740	5 696	12 436
—costs	5 216	5 694	10 910
—profit	1 524	2	1 526
Deduct:			
Ongoing capital expenditure	245	327	572
Recoupment of initial capital expenditure	101	101	202
Available for royalty	1 178	(426)	752
Provision for royalties to:			
—The Afrikander Lease Limited	388	19	407
—Anglo American Gold Investment Company Limited	23	16	39
(The royalties are payable only when the results of the operations for the full year have been determined)			
Capital expenditure	245	327	572
Uranium Section			
Uranium oxide profit	530	389	919
Royalty to The Afrikander Lease Limited	267	196	463
SHAFT SINKING	metres	metres	metres
No. 10 main shaft			
Advance	123	61	184
Depth to date	184	61	184
Station cutting	nil	nil	nil
No. 10 Rock and ventilation shaft			
Advance	307	324	631
Depth to date	631	324	631
Station cutting	25	26	51

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended June 1987							
NORTH LEASE AREA							
Vaal reef	14 966	1 192	79.4	24.87	1 975	0.63	49.63
Ventersdorp Contact reef	723	438	73.4	7.03	516	0.10	7.01
SOUTH LEASE AREA							
Vaal reef	16 162	1 264	63.5	29.91	1 899	1.05	66.99
'C' reef	1 245	100	25.5	34.35	876	1.39	35.53
Area under tribute to and developed by Buffelsfontein Gold Mining Company Limited (not included in totals)							
Vaal reef	1 022	128	135.4	18.38	2 489	0.53	71.10
'C' reef	157	—	—	—	—	—	—
AFRIKANDER LEASE AREA (Gold section)							
Jeppestown Rietkuil No. 5 reef	881	242	108.7	1.19	129	—	—
TOTALS							
Vaal reef (excluding tribute area)							
Quarter ended June 1987	31 128	2 456	71.2	27.19	1 936	0.82	58.57
Quarter ended March 1987	27 197	2 264	69.9	27.93	1 952	0.94	66.03
Six months ended June 1987	58 325	4 720	70.6	27.54	1 944	0.88	62.15

PRODUCTION

Gold production was adversely affected due to lower grades being encountered in a number of areas, seismic activity and labour related problems. Plans have been implemented in an attempt to make up the shortfall and it is estimated at this stage that gold production for the year will be at much the same level as last year.

AFRIKANDER LEASE AREA

As reported earlier, underground values fluctuate considerably and developed pay reserves are limited. Underground production has been trimmed to improve grade and reduce costs.

DIVIDEND FROM SOUTHVAAL HOLDINGS LIMITED

The current quarter's results include a half-yearly dividend from Southvaal Holdings Limited and are therefore not directly comparable with the previous quarter.

DIVIDEND

The interim dividend of 950 cents a share in respect of the year ended June 30 1987 was declared on July 23 1987, payable to members registered on August 7 1987 and will be paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1987 totalled R55 190 000.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

July 24 1987

ELANDSRAND

Elandsrand Gold Mining Company Limited

Registration No 74/01477/06

ISSUED CAPITAL: 46 619 625 shares of 20 cents each

	Quarter ended June 1987	Quarter ended Mar 1987	Six months ended June 1987
OPERATING RESULTS			
Gold			
Area mined—m² 000	92	83	175
Tons milled 000—reef	428	406	834
—waste	9	19	28
—total	437	425	862
Yield—g/t—reef	6.52	6.50	6.51
—waste	0.64	0.88	0.80
—average	6.39	6.25	6.32
Production—kg	2 794	2 658	5 452
Cost—R/m² mined	465.93	484.70	474.83
—R/ton milled	98.09	94.66	96.40
—R/kg produced	15 342	15 315	15 241
PRICE RECEIVED ON SALES			
Gold—R/kg	29 046	27 273	28 063
—$/oz	449	405	425
FINANCIAL RESULTS	R000	R000	R000
Turnover	81 008	72 893	153 901
Gold—revenue	81 008	72 893	153 901
—costs	42 866	40 230	83 096
—profit	38 142	32 663	70 805
Net sundry income	1 767	1 961	3 728
Profit before taxation	39 909	34 624	74 533
Provision for taxation	764	1 133	1 897
Profit after taxation	39 145	33 491	72 636
Appropriation for capital expenditure	14 671	10 676	25 347
Profit available	24 474	22 815	47 289
Dividend—interim			48 310
Transfer from reserves			1 021
Earnings per share—cents			
—before appropriation for capital expenditure	40	35	75
—after appropriation for capital expenditure	25	24	49
Capital expenditure—R000	18 093	13 281	31 374

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t
Quarter ended June 1987					
Elsburg reef	51	60	146.0	1.04	152
Ventersdorp Contact reef	5 139	768	71.0	13.66	970

DIVIDEND

The interim dividend of 50 cents a share in respect of the year ending December 31 1987 was declared on July 23 1987, payable to members registered on August 7 1987 and will be paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1987 totalled R13 500 000.

PRODUCTION

Production was adversely affected by seismic activity and by industrial action in a number of areas. Certain elements of the workforce have been practising go-slows and non-adherence to standards, including acts of sabotage to equipment. Weak ground conditions are being encountered during development around the sub-vertical shaft and have delayed the build-up of stoping activities. Estimated gold production for the year has been revised downwards to 11.5 tons.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

July 24 1987

ERGO

East Rand Gold and Uranium Company Limited

Registration No 71/07001/06

ISSUED CAPITAL: 42 078 712 ordinary shares of 50 cents each

	Quarter ended June 1987	Quarter ended Mar 1987	Year ended Mar 1987
COMPANY RESULTS			
Material treated—tons	7 843 000	5 370 000	22 350 000
Gold production—kg	2 336	2 236	8 708
Uranium production—kg	35 760	39 938	154 627
Acid production—tons	104 892	128 573	503 441
PRICE RECEIVED ON SALES			
Gold—R/kg	28 573	27 282	27 468
—$/oz	441	402	376
	R000	R000	R000
Turnover	73 952	73 684	288 074
Revenue	73 952	73 684	288 074
Cost of sales	53 862	43 429	167 354
Operating profit	20 090	30 255	120 720
Net sundry income	37	181	1 616
	20 127	30 436	122 336
Deduct:			
Royalty	1 500	777	3 990
Cost of slimes purchased	1 332	—	—
Profit before taxation	17 295	29 659	118 346
Provision for taxation	533	45	3 837
Profit after taxation	16 762	29 614	114 509
Appropriation for capital expenditure	11 451	20 743	71 277
Profit available	5 311	8 871	43 232
Dividend—interim			21 039
—final			21 039
Retained profit for the year			1 154
Earnings per share—cents	13	21	109
Capital expenditure—R000	15 449	21 905	84 994
ERGO DIVISION			
Slimes treated—tons	5 022 000	4 844 000	20 107 000
Gold production—kg	1 611	1 743	6 752
—unit cost R/kg	18 608	15 248	14 983
Uranium production—kg	35 760	39 938	154 627
Acid production—tons	97 039	121 301	472 914
	R000	R000	R000
Revenue—gold and silver	45 431	47 774	185 868
—uranium and acid	6 993	11 658	45 961
—total	52 424	59 432	231 829
Cost of sales	36 311	33 174	127 575
Operating profit	16 113	26 258	104 254
Net sundry income	31	181	1 598
Profit before taxation	16 144	26 439	105 852
Capital expenditure	3 652	3 098	13 055
SIMMERGO DIVISION			
Sand treated—tons	460 000	485 000	2 089 000
Ore milled—tons	38 000	41 000	154 000
Gold production—kg	408	493	1 956
—unit cost R/kg	26 434	20 754	20 289
Acid production—tons	7 853	7 272	30 527
	R000	R000	R000
Revenue—gold and silver	11 858	13 812	54 517
—acid	546	440	1 728
—total	12 404	14 252	56 245
Cost of sales	10 842	10 255	39 779
Operating profit	1 562	3 997	16 466
Net sundry income	6	—	18
Deduct:			
Royalty to Simmer and Jack Mines Limited	1 500	777	3 990
Profit before taxation	68	3 220	12 494
Capital expenditure	1 677	1 539	2 852
DAGGAFONTEIN DIVISION			
Slimes treated—tons	2 315 000	—	—
Gold production—kg	317	—	—
—unit cost R/kg	21 054	—	—
	R000	R000	R000
Revenue—gold and silver	9 124	—	—
Cost of sales	6 789	—	—
Operating profit	2 415	—	—
Cost of slimes purchased	1 332	—	—
Profit before taxation	1 003	—	—
Capital expenditure	10 120	17 268	69 087

COST OF SALES

A significant proportion of the increased cost of sales is due to the commissioning of the new Daggafontein division plant during the quarter.

PRODUCTION—ERGO DIVISION

In spite of the higher slimes treatment rate during the quarter, production of gold and acid was lower than in the previous quarter as a result of the adverse effect on operations of the biennial overhaul of the larger acid plant. Gold production in the previous quarter was increased as a result of a net reduction in plant inventory whereas in the current quarter the net inventory increased slightly.

ROYALTY TO SIMMER AND JACK MINES LIMITED

Shareholders are referred to the comments made in the annual report with regard to the above agreement. Negotiations with Simmer & Jack have now been concluded and it has been agreed that your company will pay an additional royalty amounting to R1.5 million this quarter and a further amount of R2.9 million during the course of the current financial year.

DIVIDEND

The final dividend of 50.0 cents a share in respect of the year ended March 31 1987 was declared on April 23 1987, payable to members registered on May 8 1987, and was paid on June 12 1987.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1987 totalled R3 705 000, which included an amount of R1 011 000 for the Simmergo Division and R1 016 000 for the Daggafontein Division.

RESULTS OF MEETINGS OF MEMBERS AND DEBENTURE HOLDERS HELD ON JUNE 11 1987—CREATION OF S ORDINARY SHARES

The attention of members and debenture holders is drawn to the announcement published on June 16 1987, copies of which were also posted to them. Of the 7 921 288 unissued ordinary shares of 50 cents each in the capital of the company, 6 000 000 of such shares have been converted into a like number of S ordinary shares of 50 cents each. A total of 2 870 000 of such S ordinary shares are reserved to meet the rights of debenture holders to convert their debentures into S ordinary shares in the conversion periods set for 1987 and 1988 respectively.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

July 24 1987

S.A. LAND

The South African Land & Exploration Company Limited

Registration No 01/01879/06

ISSUED CAPITAL: 9 182 700 shares of 35 cents each

	Quarter ended June 1987	Quarter ended Mar 1987	Six months ended June 1987
OPERATING RESULTS			
Gold			
Tons milled—000	632	607	1 239
Yield—g/t	0.65	0.69	0.67
Production—kg	413	421	834
Production, transport and screening costs			
—R/ton milled	10.16	10.74	10.44
—R/kg produced	15 545	15 487	15 516
PRICE RECEIVED ON SALES			
Gold—R/kg	29 021	27 152	28 049
—$/oz	449	405	426
FINANCIAL RESULTS	R000	R000	R000
Turnover	12 082	11 395	23 477
Gold—revenue	12 082	11 395	23 477
—production costs	3 786	3 796	7 582
—transport and screening costs	2 634	2 724	5 358
	5 662	4 875	10 537
Less cost of dump material	3 108	2 738	5 846
Gold profit	2 554	2 137	4 691
Net sundry income	248	339	587
Profit before taxation	2 802	2 476	5 278
Provision for taxation	1 517	1 309	2 826
Profit after taxation	1 285	1 167	2 452
Capital expenditure (recoupments)	49	(51)	(2)
Profit available	1 236	1 218	2 454
Deduct			
Dividend—interim			2 296
Retained profit for the six months			158
Earnings per share—cents	14	13	27
Capital expenditure (recoupments)—R000	49	(51)	(2)

DIVIDEND

The interim dividend of 25 cents a share in respect of the year ending December 31 1987 was declared on July 23 1987 payable to members registered on August 7 1987 and will be paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS

There were no orders placed or outstanding on capital contracts as at June 30 1987.

For and on behalf of the board
T. L. PRETORIUS
E. P. GUSH } Directors

July 24 1987

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTE:
DEVELOPMENT:
Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ.

The Free State Consolidated Gold Mines Limited quarterly results appear on another page in this newspaper.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

First Chicago defies the trend on project finance

Peter Montagnon explains why a US bank is building up its strength in a sector which is being increasingly shunned by its competitors

PROJECT FINANCE is not exactly regarded as one of the most glamorous sectors of the international banking markets these days. Given the shortage of new deals, long lead times and uncertain success rates, many banks have chosen to wind down their activity in this sector and some have withdrawn altogether.

First Chicago, however is one bank that is determined to buck the trend. In the shapeless brown pile that forms its headquarters in London's Covent Garden, Mr Fred Strickland, a managing director in the bank's international capital markets group, is busy putting together a project finance unit from scratch.

Lured across to First Chicago in March from the corporate finance department of Bank of America, where he was closely involved in financing last year's £410m Biwater contract for water supply in Malaysia, Mr Strickland is nothing if not aggressive. With the right personel, tenacity, and the right ideas, he believes that project finance can still be a viable money-spinning business.

The key, he says, lies in maximising the use of the capital market instruments already at the bank's disposal to tailor financing offers to the requirements of both the buyer of a project and the company which is seeking the business. That implies taking cost calculations off the back of an envelope and putting them in to a computer, along with a heavy dose of lateral thinking and willingness to innovate.

It is not so much a question of using the project market to generate new issue mandates for Eurobonds, although that could happen in certain cases, but more a matter of using capital market techniques like swaps and options to spread the risk around the market and lower costs. All this must come naturally to a man like Mr Strickland who, unlike many project finance bankers, has a background in foreign exchange and money markets.

The starting point is the subsidies paid by industrial country governments on medium-term export credits. Factoring this subsidy into a swap could, for example, mean creating low interest D-Mark debt for a borrower who does not require sterling obligations, while ensuring that the supplier actually receives payment in sterling.

The same result can be achieved by using the long-dated forward foreign exchange market. Or a parallel transaction can be set up in the capital markets which allows the buyer to pay D-Marks while the supplier receives sterling.

The subsidy element in export credits has always been a market-distorting factor which makes them potentially very interesting to the swap market. Yet by and large, little advantage has been taken of this in practice. What distinguishes Mr Strickland from his competitors is his determination to make the concept work.

The 22-strong team which he is in the process of recruiting will include, as well as the usual array of engineers and traditional bankers, two so-called "rocket scientists." These are the top-rated mathematicians who have shot to prominence in the Euromarkets over the past couple of years with their complex computer models of financial strategies designed, originally, to maximise return to investors.

Yet while the money and capital markets in which swaps originate can fluctuate wildly from day to day, project finance is a slow moving business in which deals can take years to come to fruition.

Drawdown periods are long and complex, so that reinvestment risk has to be taken into account and there is always the risk that early repayment may force the swap to be unwound at a loss.

Then there is the willingness of export credit agencies to play along with innovation. It is well-known, for example, that Britain's Export Credits Guarantee Department is lukewarm about the new-fangled "build-operate-transfer" concept of export finance in which suppliers take over responsibility for running a project and are repaid out of its revenues before handing it over to the host government.

Some agencies, such as Sweden's SEK, are renowned for their willingness to experiment where their own borrowings are concerned, though much more conservative when it comes to the actual business of supporting exporters.

Mr Strickland expects the main focus of his business to be in Asia, though he also expects an increasing emphasis on Latin America. Recent increases in loan-loss reserves by big US banks have given a fillip to the debt/equity swap market which, he believes, has added to their potential for project finance.

Similarly the injection of an equity element under the Moscow's new joint venture legislation may prove useful in financing schemes for the Soviet Union.

First Chicago's competitors generally view the experiment with a mixture of incredulity and nervousness. Some believe that there is a danger in relying too heavily on capital market techniques, when a more rounded approach is needed. It can be hard to extricate a borrower from a capital market approach if rates go against the deal. And in any case, many question the wisdom of setting up in the business given the lean times that clearly lie ahead.

But Mr Strickland is unrepentant. "There's no shortage of transactions out there if you have the right people and the right approach," he says. Beyond that, the says, all you need is tenacity and "a killer instinct."

Euroratings cautious on building societies

By Stephen Fidler, Euromarkets Correspondent

MOST BRITISH building societies, which are increasingly turning to the international securities market as a source of funds, do not deserve the highest credit ratings, a specialist debt-rating agency said yesterday.

Euroratings, the recently established London-based agency, said in an assessment that, although there were likely to be a few exceptions, "the building societies were not, as a group, an E1-plus or double-A industry."

The statement suggests that the agency will grade most long-term debt of building societies in the single-A category, classified as "good quality" but two tiers below the triple-A highest debt rating. E1-plus is its highest rating for short-term debt such as commercial paper.

Euroratings assessed the short-term debt of three societies, the Halifax, the Woolwich Equitable and the Cheltenham and Gloucester, as E-1. But it said the societies had not agreed to co-operate with the agency and the ratings were based solely on its analysis of substantial publicly-available information.

It said the granting of a higher grading had been prevented by the lack of a lender of last resort to the industry, and the fast-changing environment in which the societies operate. Competition in the industry is increasing, margins at some societies are eroding and new products are perhaps becoming riskier, it said.

The first publicly-announced rating for a building society was made earlier this week by Moody's and Standard & Poor's, the two leading US agencies. Their assessments implied a blended double-A rating for Abbey National.

Facilities for two UK property groups

By Our Euromarkets Staff

TWO UK property companies yesterday announced financings intended to lower their borrowing costs.

London and Edinburgh Trust is arranging a £75m ($120m) unsecured multi-option facility, through Salomon Brothers International and Lloyds Merchant Bank.

It comprises a five-year committed revolving credit and an uncommitted advances facility. The committed portion carries a facility fee of 15 basis points and a margin over London interbank offered rate of 30 basis points. A utilisation fee of 7.5 basis points is payable on drawings of over 33 per cent and of 5 basis points of over 67 per cent.

A £50m portion of the facility was designated available, carrying an underwriting fee of 15 basis points, and the "unavailable" portion, requiring notice of drawdown, carried a 10 basis point underwriting fee. It carries a maximum margin of 30 basis points.

BZW is also arranging a £25m sterling commercial paper programme for Frogmore, which has also secured a new 20-year fixed rate loan from Royal Life Insurance.

The two banks are also acting as dealers in a Euro-commercial paper programme the company is arranging.

Frogmore Estates arranged a five-year £70m committed multi-currency cash advance facility with six banks led by Barclays de Zoete Wedd.

● Mr Gerald Ronson's Heron International said it and Generale Continentale Investissement have reached agreement for the financing of their joint company which recently agreed to buy the Colline Nord development in the business centre of La Defense in Paris.

A syndicate of seven banks, led by Credit Lyonnais, will make a FFr1.1bn ($177m) loan secured by a charge on the development and partly guaranteed by Heron.

Securities link for Pallas

By Our Financial Staff

PALLAS GROUP, the international concern founded by Mr Pierre Moussa, has linked up with S & W Berisford, the UK finance and commodities group, to establish a joint venture in international equity-linked securities.

The venture, Cresvale, was formerly part of Berisford, and its management will also share in the ownership.

Pallas, with 40 per cent, will be in effective control of the group, which has been formed as a Luxembourg holding company. Berisford will have 25 per cent, and the management the rest.

Cresvale is a market maker in international equity-linked securities, principally in the convertible and warrant markets. It has offices in London, New York, Hong Kong and Tokyo.

Record £300m issue for Elders

BY CLARE PEARSON

ELDERS IXL, the Australian financial services, brewing and resources group, took the Eurosterling market's breath away yesterday with a £300m issue—50 per cent greater than the previous record bond in the sector, launched by the World Bank.

Dealers were initially bemused by the announcement of the bond, as it came just a day after the market had suffered sharp falls triggered by disappointing UK trade data. Yet despite the continuing nervousness, Elders' bond traded within its 1⅞ per cent fees at around less 1⅞ bid.

The answer lay in substantial preplacement by Credit Suisse First Boston, the lead manager, and in the bond's pricing, which enabled it to be swapped into a floating rate instrument for sale to banks, rather than to investors in fixed rate bonds.

The five-year 10¼ per cent issue, with a 100½ issue price, was pitched at a yield of 96 basis points over the comparable gilt which, one swap specialist said, could have been transformed into a floating rate instrument paying around 45 basis points over London interbank offered rate.

But CSFB, which underwrote half of the issue, denied that the asset swap market had provided a home for the bulk of the bonds. It said its sales had been mostly to non-bank investors, adding that Elders had already built up a following in Continental Europe with earlier convertible issues.

Elders is not swapping the proceeds, which will be used to restructure existing borrowings following its acquisition of Courage.

The European Investment Bank also chose an apparently inauspicious day to launch a $150m bond into the unpopular 10-year area of the yield curve, given weakness in the dollar and the US Treasury bond market. The issue's timing was believed to be dictated by the borrower's need to obtain Ecu funds through swapping the proceeds.

Nevertheless, dealers said the bond's pricing took into account difficult market conditions. It bore a 9⅜ per cent coupon and 101⅜ pricing to give yield net of fees of about 68 basis points over US Treasury bonds.

The bond, led by Morgan Guaranty, traded within its fees at less 1.60 bid, against 2 per cent fees.

Four bonds appeared in the Australian dollar sector. All of them had potential atractions to certain pockets of retail demand but, given the heavy volume of recent paper in the primary market, co-managers were little inclined to support them.

Citicorp Investment Bank led an A$75m 13¼ per cent two-year issue for Denmark, which has been relatively inactive in the Eurobond market recently. The deal was priced at 101.475, which was quoted on its fees at less 1⅞ bid.

Morgan Guaranty led an A$75m four-year 13¼ per cent issue for Kraft, priced at 101⅜. The borrower's name has appeal to Swiss investors, but dealers said the bond's performance might be marred by Kraft's unsuccessful Australian dollar issue earlier this year.

The West German government DSL Bank also tapped the market through Morgan Guaranty with an A$50m 13¼ per cent three-year issue, priced at 101⅜. This traded outside its 1½ per cent fees at less 1.80 bid.

EBC Amro led an A$40m three-year 14 per cent issue for Wereldhave, the Dutch property company, which was mainly targetted at Dutch investors. It was priced at 101⅜.

Meanwhile, Credit Suisse First Boston topped up Wednesday's A$75m equity warrants bond issue for Australia and

INTERNATIONAL BONDS

New Zealand Banking Group with a further issue of 375,000 warrants on their own. The terms were the same as for those attached to the bond.

Commerzbank issued for itself, through an overseas subsidiary, a C$75m four-year 10 per cent issue, priced at 101⅜.

The market for Japanese equity-linked bonds continued weak, but Daiwa Europe issued a $70m five-year deal for Kuraray, the textile manufacturer, bearing an indicated 2⅞ per cent coupon. It was quoted at less 2¼ bid, against 2½ per cent fees.

The company also launched a SFr 100m convertible with an indicated ⅝ per cent coupon, led by Credit Suisse. This was quoted at less 1¼ bid.

The Swiss franc foreign bond market saw a flurry of issuing activity, continuing the more buoyant trend of recent weeks.

Union Bank of Switzerland led a SFr 200m callable 4⅞ per cent 10-year bond for Province of Manitoba, priced at 100½. The bond traded at around less 1⅜ bid in the grey market, although some dealers said it was slightly aggressively priced.

Morgan Guaranty (Switzerland) meanwhile led a SFr 150m five-year deal for BP Capital. The issue has a 4⅜ per cent coupon and is priced at 100¼.

Banque Paribas (Suisse) led a SFr 110m 10-year bond for Qantas Airways, marking its debut in the market. The 4⅞ per cent bond was priced at 100½.

S. G. Warburg Soditic set the coupon on a recent SFr 75m five-year bond for Polly Peck, the British-based trading company, at its indicated 6 per cent level.

Swiss Bank Corporation led a five-year SFr 50m 4⅞ per cent bond for Caisse Centrale Desjardins du Quebec, priced at 100½.

Banca del Gottardo led a SFr 60m five-year equity warrants issue for Daiwa Seiko, the Japanese fishing tackle company. The issue has an indicated 1⅞ per cent coupon and is priced at par.

Prices in the domestic D-Mark bond market shed between 25 and 80 pfennigs on fears of rising interest rates, as dealers assessed the higher rate set on the Bundesbank's latest repurchase agreement announced on Wednesday.

Euro-DM bond prices also dropped, by up to ½ point.

Birla and Warburg to set up joint funds

BY R. C. MURTHY IN BOMBAY

THE BIRLA group, led by Mr Ashok Birla, and S. G. Warburg of the UK, plan to launch jointly India's first private sector mutual fund, from Jersey, aimed at expatriate Indians and overseas investors.

The proposal envisages floating two funds simultaneously—Birla-Mercury India Growth Fund for investment exclusively in India's corporate equity, and Birla-Mercury International Growth Fund for worldwide investment including India but excluding the US. The two funds are expected to be on the market by the end of the year.

Mr Ashok Birla, joint chairman of Birla-Mercury, says the two funds may attract some $25m within 45 days of being launched. Subscriptions by non-resident Indians will have to account for at least 60 per cent of the two funds if they are to qualify for investment in India under Indian laws.

Unlike the India Fund sponsored by Unit Trust of India and Merrill Lynch, they will not be listed on the London Stock Exchange, but the fund managers will quote bid and offer prices daily based on net asset value.

The investor can switch from one Birla-Mercury fund to the other at the market price but without management fee. This allows for flexibility for an investor to opt for the international fund initially but return to the India Growth Fund later if he chooses.

The Indian Government took more than three years to approve the Birla-Warburg proposal and Indian share values have fallen by more than one-third over the past 18 months.

Mr Birla says the aim of the two funds is to maximise capital appreciation consistent with prudent limitation of risk over five years.

J. M. Financial and Investment Consultancy Services, one of the five leading Indian merchant banks, will market the Birla-Mercury mutual funds to expatriate Indians, who had an option to invest in the venture capital fund floated jointly by Grindlays Bank and Investors in Industry (3i) of the UK last March.

Champaklal Investment Overseas, an Indian merchant bank, and Hill Samuel of the UK set up a similar mutual fund two years ago. Investment analysts say the response to both funds was modest. Unlike Birla, an Indian business group, Grindlays and Champaklal Overseas did not require official approval since they are offshore companies not subject to Indian government supervision.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

STRONG DEMAND FOR FINANCIAL SERVICES

GUS beats forecasts for £338m

BY MIKE SMITH

Great Universal Stores, the mail order, shops and financial services company, yesterday announced that 1987 pre-tax profits, excluding contributions from property transactions, were 16 per cent ahead at £337.6m.

The increase, which was in line with that announced at the interim stage, was ahead of most forecasts. The A (non-voting) shares finished at £14⅞, up £⅛, and the ordinary shares were £21⅜, up £⅜.

Mr Harold Bowman, joint deputy chairman, said that in the current year there was strong demand for the group's financial services but merchandising sales, including footwear and the Paige fashion stores, had been affected by the poor weather.

In the year to the end of last March turnover of £2.47bn (£2.27bn) included a £106.4m contribution from two associates. These were Harris Queensway, the stores group in which GUS has a 23 per cent stake after selling its Times Furnishing and Home Charm last year, and Paige, a 50-50 joint venture with Next.

Paige and Harris contributed £6.8m of the pre-tax profits. The Harris contribution was for six months only. Times and Home Charm were included in the main figures for the first four months but two months of their trading were not included.

A divisional breakdown showed the catalogues operation increased its contribution to pre-tax profits by 1.8 percentage points to 55.6 per cent. Retailing was down at 12.4 per cent (14 per cent), financial services was 26.8 per cent (26.1 per cent) and export and manufacturing was 5.2 per cent (5.6 per cent).

Mr Trevor Spittle, joint deputy chairman, said the improvement in the catalogues division reflected substantial investment in office and distribution technology and warehousing.

GUS also highlighted the contribution of the Burberrys stores chain. Although this was hit by the fall in the number of US visitors it benefited from the opening of eight new stores, four in the US. Another three are planed for this year to add to the 48 existing outlets.

After unchanged property profits of £7.4m and tax of £114.1m (£108.3m) stated earnings per ordinary share were 89.1p (72.6p), a rise of 22 per cent. The final proposed dividend is being lifted from 14p to 16.5p to give a full-year payment of 24.5p (21p).

See Lex

Chancery Securities acquisition

By Steven Butler

Chancery Securities, the financial services group, yesterday reached agreement for the £4m purchase of Management Financial Holdings, which is engaged in property financing and related fields, from Mr Brian Rubins, who was appointed to the Chancery board in June.

In the seven months to the end of March 1987, Management Financial Holdings made pre-tax profits of £209,000, with net assets on March 31 of £250,000.

Chancery will issue 1.29m new ordinary shares to Mr Rubins in consideration for the acquisition. Mr Rubins will raise £600,000 on completion from disposal of a portion of the shares, and retain the balance.

Steetley divestment

STEETLEY announced that it is involved in exploratory talks with Guillevin International, whose headquarters is in Montreal, Canada, which may lead to the divestment of Steetley's Canadian distribution business. Guilleven is primarily concerned with the supply of electrical products but it is also significant in industrial mill supply and safety products.

M&G opposes bid for Molins

BY TERRY POVEY

M&G Investment, one of the UK's largest fund managers, yesterday made public its opposition to the Brierley group's £95m final offer for precision engineering company Molins.

This is not the first clash between Mr Ron Brierley's New Zealand based group and M&G over the outcome of a contested bid. Last year the fund managers successfully lead institutional resistance to a £260m bid for Ocean Transport & Trading.

Buying 375,000 shares in the market at 303p, M&G increased its stake to 15.92 per cent, the second largest shareholding, and clearly signalled its view that it wishes Molins to remain an independent company.

Bidding via Tozer Kemsley & Millbourn, its UK subsidiary, the Brierley group announced yesterday that it had received under 0.1 per cent acceptances in addition to its initial 24 per cent holding. It also announced a final offer of seven TKM shares plus 230p for every four Molins' shares plus a 300p cash alternative.

Purchases on the market over the last two days have taken the bidders' holding up to 26.85 per cent and, following Tozer's EGM yesterday, it now has a free hand to bid for shares in the market up to its 300p cash offer.

By paying just over this level for shares, M&G appears intent on repeating the OT & T scenario. An executive at the fund managers commented yesterday that: "There's nothing personal against Ron Brierley in this — M&G agrees with him that Molins is a good company which is undervalued. We supported him against the Molins' board during the attempted management buy-out but believe that it will be stronger if it remains an independent company."

Mr Reg Heath, TKM's chief executive, commented yesterday that he hoped to visit all Molins' major institutional shareholders — including M&G — to get backing for the bid. Other major holders are believed to be the Prudential, with 7 per cent, Legal & General and Allied Dunbar with just under 5 per cent each and Pearl with about 4 per cent.

Molins' shares closed last night up 3p at 306p while TKM's were 5p down at 135p.

Thomson T-Line in £4.4m purchase

BY NIKKI TAIT

Thomson T-Line, where entrepreneurs Mr Julien Askin and Mr Hugo Bierman moved in as joint chairmen 18 months ago, announced yesterday that it was buying a Birmingham-based holding company, Component Industries, for £4.4m.

Mr Bierman said yesterday that CI—which takes in a fasteners manufacturing business in south Wales and a distribution business with outlets in Rochdale, Rugby and south Wales, and CI Power accessories near Birmingham—would complement two of Thomson's existing interests. It already owns Jaton, which distributes fasteners, and cable and electrical components distributor Cables and Flexibles.

Thomson is paying for CI via the issue of 526,352 new shares, of which 516,352 have been placed with institutional investors. A further 160,000 new shares were also placed for cash, raising approximately £1.3m—money which will be used to cut borrowings and accelerate expansion, says Thomson.

In the year to end-January 1987, CI made pre-tax profits of £231,836 on sales of £7.7m, according to its last accounts. However, the figure is struck after a £102,000 non-recurring write-down of tooling stocks and payments of £180,000 to holding company directors, including their pension contributions.

Following the deal, the holding company directors will resign and control of the three CI divisions will rest with executive directors of these subsidiaries. Net assets of CI were £2m at the year-end.

Tomkins lifts dividend as earnings advance 64%

F. H. Tomkins yesterday reported a 64 per cent rise in earnings per share and a quadrupling of pre-tax profits to £30.1m.

Mr Greg Hutchings, chief executive, said that it was the "well above average growth in earnings per share and the 43 per cent dividend increase that most pleased the group. We are very confident and are looking to further above average growth in the coming year," he added.

The rapidly growing industrial conglomerate obtained £19.62m pre-interest profit from the 10-and-a-half months' contribution of Pegler-Hattersley, which it took over last summer following a closely fought £182m bid. Since the year end Tomkins acquired the US handgun company Smith and Wesson for £112m.

At the year end Tomkins had some £56.2m net in cash and investments. After the £23m cash element in the Smith and Wesson purchase and the disposal of a stake in a related company, the group has net liquid resources of £47m.

Following the closure of Pegler's headquarters and the removal of some 30 of its senior executives, the acquisition had "adopted the Tomkins disciplines with enthusiasm," said Mr Hutchings.

Tomkin's continuing businesses contributed £8.61m, up 16 per cent on a comparable basis, while net interest received totalled £2.5m.

The final dividend of 2p (1.35p) took the total payout to 3p on weighted average capital of 129.1m shares. On a diluted basis earnings per share were 14.4p (8.79p).

The group now operates through four business sectors. Building products, which contains mainly former Pegler companies including Pegler Ltd, made a £9.3m (on a turnover of £59m) contribution to the trading profit total of £24.4m.

Services to industry—fasteners, motor components, pistons, valves and pipeline fittings—contributed £7m (sales of £62.5m) and was affected by the decline in North Sea oil activity.

Consumer products—lawnmowers, buckles, protective clothing and footwear—made £3.3m on sales of £22.9m, while industrial products—valve manufacture, temperature control devices and gauges, industrial disc brakes, metal pressings—has reported trading profit of £4.8m and sales of £32.3m.

The three associated companies, all part of Pegler, contributed £3.26m—recently the 50 per cent holding in one of these, in New Zealand, was sold for NZ$34.25 (£12.1m).

● comment

It seems more than a little churlish for the market to have marked F. H. Tomkins down 5p to 295p when the group's results exceeded brokers' forecasts and it is clearly shifting Pegler-Hattersley into a forward gear after several years of moving sideways. The downward move looks even more uncharitable when Tomkins' earnings' growth rate is compared with that across the market: on forecasts of £42m, fully diluted eps will be up 24 per cent, well ahead of the forecast industrial average even if somewhat behind the historical compound rate. Hence a prospective multiple in line with the market average of 16 seems ungenerous—unless the discounts prevailing for the larger conglomerates are being applied, as the price of success, to Tomkins. Nevertheless, Mr Hutchings cannot be expected to sit on the £50m cash already in the coffers and anothe acquisition in the US, circa £100m, which be on the cards now that Smith & Wesson provides a base from which the searchers can operate.

Midland profits better than expected with 29% rise

BY HUGO DIXON

Midland Bank Group's pre-tax profits for the six months to June 30 were £251m, up 29 per cent from £195m in the first half of last year. This better than expected performance was the result of a strong showing in its traditional UK commercial banking business, which more than compensated for poor results from investment and international banking.

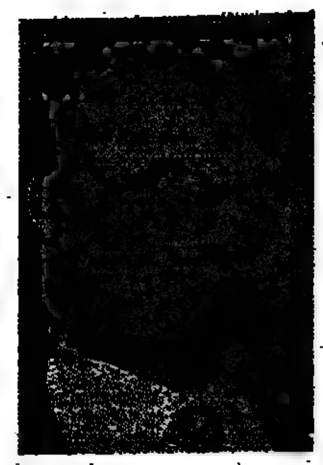
Midland's tax charge, however, was higher than expected, leading to post-tax profits of £136m (£103m). When the effect of the group's £916m in provisions against its loans to the third world (announced earlier this month) is taken into account, the post-tax loss was £521m.

Investment banking, which included the group's treasury operations as well as its corporate finance, capital markets and fund management activities, turned in pre-tax profits of £13m (£51m).

Within this figure, foreign exchange trading, corporate finance and gilts trading had done well, Sir Kit McMahon, group chairman, said but the UK equity and US government securities operations both incurred losses.

Profits from international banking at £19m (£18m) were hit by Brazil's moratorium on interest payments. Midland is owed £43m in interest. Total provisions against bad and doubtful debts throughout the group were £151m (£178m).

The group's £916m provision against its third world portfolio is in addition to this provision and has been treated as an extraordinary item. Part of this provision has been made by switching £89m from general to specific reserves.



Sir Kit McMahon, chairman of Midland Bank

After tax, the total cost of this move is expected to be £653m, though the Inland Revenue has said it will not enter into negotiations about the precise tax rate until the full-year results are in.

Once the revenue from the £700m rights issue and the sale of Clydesdale Bank, Northern Bank and Northern Bank (Ireland)—other measures designed to improve the group's financial position, announced at the same time as the increase in provisions—are in, Midland's ratio of primary capital to total assets will be 7.2 per cent. This compares with a figure of 6.6 per cent before the whole package.

Strong loan demand from consumers and measures to curb costs were behind the good performance in domestic commercial banking, which contributed £198m (£128m). Over the past year, Midland's mortgage book has grown 62 per cent to £3.1bn (the result of aggressive marketing) and personal loans have grown 10 per cent to £700m.

Midland has closed 35 branches and downgraded the status of 13 others in the last six months. It expects to close a similar number in the next six months and is also hoping for some reduction in the size of the workforce.

Forward Trust, the group's finance house, made profits of £28m (£20m). Thomas Cook, its travel agent, which tends to do worse during the winter, incurred a loss of £7m—greater than the £3m loss in last year's first half.

Midland expects its profits to be taxed at a rate of 46 per cent, compared with the 40 per cent it had previously predicted. The discrepancy is caused by two factors: the extra £916m in provisions has reduced the tax relief Midland can claim for other purposes, and it has had to pay higher taxes for a previous year.

An unchanged interim dividend of 11.5p has been declared.

See Lex

ANNUAL MEETINGS

ISC shares move up to 225p after bullish AGM

BY DAVID WALLER

International Signal and Control yesterday took the first step towards rehabilitating its City image, badly tarnished last month when the US defence contractor with a UK listing reported profits sharply below expectations.

Its share gained 9p to 225p after a bullish Annual General Meeting, at which Mr Jim Guerin, chairman, said that the company was "in the strongest position it has ever been from a marketing, operating and financial point of view."

When the company revealed its full year figures last month, the shares fell by more than a quarter in one day from 277p, and in following days declined to below 200p. It emerged that the company's auditors had insisted on a last minute change in accounting for profits on long-term contracts, which depressed profits from an anticipated $65m (£40.8m) to $56.5m.

Mr Guerin said yesterday that the backlog of orders for the first quarter of the present financial year exceeded $300m, against a total of $1.04bn.

Metal Box shows advance

Metal Box chairman Dr Brian Smith reported to shareholders at yesterday's agm that sales for the first quarter of the current year were in line with expectations and above those for the corresponding period last year.

He said that there had been good performances in a number of business segments which had more than offset some of the competitive market conditions in the UK food business.

However, Dr Smith said that it was "premature, at this stage, to comment on the trading outcome for the full year."

He believed that recent acquisitions coupled with the company's own developments in packing and the expansion of its security printing activities in the US would provide the foundation for future growth."

Boots looks to long-term investment

Boots, the chemist chain, is committing heavy investments to achieve accelerating growth in sales and profits for the next decade, Mr Robert Gunn, chairman, told shareholders at the company's AGM yesterday.

He said that it would invest in an accelerating store development programme for Boots The Chemists, electronic point of sale, Children's World, and Sephora, its chain of beauty shops in France.

The company was also increasing significantly its spending on research and development, particularly new medicines.

Such investment would not make any contribution in the short term, but was essential to the company's longer-term strategy.

Thermal's good start

Thermal Scientific, the international technology group, had made a good start to 1987-88 and in the three months to June 30 assisted by new acquisitions its orders, sales and profits were all ahead of the previous year, Mr Hugh Sykes, chairman, told shareholders at yesterday's agm.

Woodrow in US equity move

By Paul Cheeseright, Property Correspondent

Taylor Woodrow has consolidated the equity in its US property company by buying out the stake held since 1972 by Pension Funds Securities, which acts for the ICI pension funds.

The move gives Taylor Woodrow complete control of Taylor Woodrow of California as the company goes into a new phase of expansion.

Pension Funds Securities is receiving 395,281 Taylor Woodrow shares, worth £1.96m, at yesterday's closing price of 502p a share and cash of £325,000. Further cash payments may be made later depending on the performance of Taylor Woodrow of California.

Taylor Woodrow property assets in California are worth more than $40m (£25.18m) and are set to increase as the company brings to completion a hotel and offices complex at Pleasant Hill just outside San Francisco.

Lee Cooper stake

Compagnie de Navigation Mixte, based in Paris, has acquired further shares in Lee Cooper and now holds 6.29m (19.3 per cent of the company).

Lee Cooper, jeans and leisurewear manufacturer and retailer, reported lower pre-tax profits of £7.9m (£8.1m) for 1986, on turnover ahead at £140m (£94m).

Argyle Trust advances 47% in first half

A 47 per cent advance in pre-tax profits, up from £323,000 to £475,000, was announced by Argyle Trust, financial services holding company, the principal operating subsidiary of which is Sterling Trust. The six months to June 30 1987 also saw gross income 48 per cent up from £1.79m to £2.66m.

Mr George Morgan, chairman, said that the group had continued to make good progress in secured personal lending and the board remained optimistic.

Referring to his statement with the last annual report and accounts in which he said that proposals had been received from a number of third parties interested in acquiring a substantial holding in, or the whole of Argyle, Mr Morgan reported that useful progress had been made in discussions which were continuing.

Tax in the first half year amounted to £75,000 (£45,000) and there were no extraordinary items in the period (£24,000 debit). Earnings per 25p share were 1.87p (1.3p). Argyle does not make an interim dividend payment.

DIVIDENDS ANNOUNCED

Bertam Holdings	1	—	0.95	1	0.95
Black Arrow	4.2	Oct 1	3.25	6.2	5
British Bloodstock	‡6.3	Sept 18	6.3	8.8	8.8
BTS Group	‡2.95	—	2.7	4.25	4
CAP Group	1.2	—	1	1.8	1.5
Dee Corpn	†5	Oct 1	4.4	8	7.2
Derby Trust ...int	4.75	Aug 31	4.25	—	9.11
Elbief	0.95	Oct 24	1.36	1.48	1.89
First Leisure ...int	3	Oct 30	2.5	—	7.5
Green Prosperity ...int	‖1.1	—	1.1	—	2.7
GUS	16.5	—	14	24.5	21
Johnstone's Paints int	‡1.7	—	1.77	—	4.77
Leading Leisure ...int	**0.4	Sept 28	0.3	—	0.9
Midland Bank ... int	11.5	Oct 1	11.5	—	27
Romney Trust ...int	1.65	—	1.65	—	5
Stanley Leisure	†2.25	—	—	4	—
Aaronson Bros ...int	1.7	Oct 5	1.2	—	4.2
AMS Inds ...int	†0.5	Sept 21	0.5	—	1.5
Arlen	1.5	—	nil	2	nil
F. H. Tomkins	2	—	1.35*	3	2.1*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Irish pence throughout. ** Over the counter stock.

Edenberry Shoes steps into leisure

BY HUGH CARNEGY IN DUBLIN

A LITTLE known Irish shoe manufacturer employing 160 people in Co Offaly has, this week produced one of the most spectacular performances ever seen on the Dublic Stock Exchange.

Trading at 59 Irish pence last weel-, Edenberry Shoes was catapaulted forward by the announcement on Friday that the company had agreed to shift control to a group of British businessmen, with plans to move it into the leisure and property sectors.

Dublin has never been shy of backing "shell" companies, and Edenberry shares rocketed as high as 700p on Wednesday before caution began to temper the excitement, and it fell back yesterday to 550p. Its market value then stood just under the I£20m mark, some ten times its value a week ago.

The new investors include Mr Desmond Bloom—he led a similar transformation of the Cork company, Dwyer and Co, two years ago—Mr Jeremy Howarth, who is to leave his post as group treasurer of Ladbrokes to become managing director of Edenderry, and Mr Michael Ward, a director of S. G. Warburg. Sun Life Assurance is among other institutional and private investors involved.

Subject to shareholders' approval, the transformation of Edenderry will be accomplished by a £3.5m three-for-one rights issue of nine new shares at 38.5p, in which the present major shareholders, the Wachman family (55 per cent) and Investment Bank of Ireland Investment Services (20 per cent) will waive their rights in favour of the new investors.

"The second we get shareholders' approval, we'll be in a position to give firm indications of our plans," Mr Bloom said yesterday. Edenderry would expand by acquisition with the intention of becoming "a company to be reckoned with," he said.

Brokers in Dublin, who have seen many such "shell" companies come and go in the past, were rather more circumspect, pointing out that Edenderry now had much to prove. "There's a lot of hope involved out there, a lot of hope," said one.

UK COMPANY NEWS

Dee rounds on critics as profits jump to £192m

BY DAVID WALLER

Mr Alec Monk, chairman of the controversial Dee Corporation, yesterday rounded on City critics of the supermarkets group as he announced 1986-87 pre-tax profits up by over a half to £192.2m.

Mr Monk issued journalists and stockbrokers' analysts with a dossier of hypothetical questions and answers on aspects of Dee's record in recent years. The questions ranged from "Has Dee's rapid expansion been in the interests of its shareholders?" to "Are Dee's accounting policies conservative?"

"It is disappointing that improving efficiencies, and the logic, the potential and the success of our acquisition policy have not yet been recognised," argued Mr Monk, whose company has expanded its equity by 4 per cent in the last year and made two major acquisitions. "Logic must in the end prevail."

Despite these arguments, yesterday's figures were at the bottom end of City forecasts and prompted little enthusiasm. Dee's shares fell 15p to 232p.

Taxable profits for the year to April 25 included a full year's contribution from the Fine Fare group, acquired at the end of June last year for £680m and merger accounted. The figure also included £5.1m in property profits.

Group turnover grew from a restated £4bn to £4.8bn. Trading profits increased from £130.3m to £201m. The interest charge was higher at £8.8m (£3.8m) and the provision for tax liabilities rose from £23.4m to £36.7m.

As widely anticipated, Dee took the entire cost of integrating Fine Fare with its existing Gateway and Carrefour chains as an extraordinary item. This amounts to an estimated £52.7m, of which nearly 40 per cent has been incurred to date. Including a loss on the repayment of loan notes, the total extraordinary charge was £55.1m (£7.5m).

NO 15—8/8½

Attributable profits were £100.4m (£95.6m) and earnings per share worked out at 17.7p, against a restated 13.7p in the previous year. The dividend was raised from 7.2p to 8p.

A weak dollar and a snowless winter in the US limited the contribution to trading profits from Hermans Sporting Goods to £25.4m, on sales of £371m. The sports chain, which specialises in ski-related items, was acquired for £278m last March.

Gateway contributed £152.9m (£100.2m) to trading profits; cash and carry generated £8.2m (£5.6m). Mr Monk warned that margins at Gateway during the current year would be depressed as a result of eliminating "buncing" in the Fine Fare stores, where prices were adjusted at store level to cover stock shrinkage.

See Lex

NEI ups its stake in Victor Products

By Nikki Tait

SHARES in Victor Products, the Tyneside-based industrial and mining equipment manufacturer, jumped 48p to 190p yesterday, on news that near-neighbour Northern Engineering Industries has acquired a 11.1 per cent stake.

NEI has held an interest just below the disclosable level for some years, and Mr Roy Mann, Victor's chairman, said yesterday that he had always regarded that as "friendly." He said that he had no knowledge of why NEI had chosen to lift it, but added that there was a limited trading relationship between the two groups.

NEI's latest holding has come from Babcock International, the engineering and contracting group, which agreed to a £464m merger with FKI Electricals earlier this week.

However, Babcock director, Mr Christopher Taylor, said that the sale was unconnected to this, and that Babcock had not been looking to dispose of its holding.

However, the purchase comes within weeks of Sydney-based investment company, Overseas Corporate Funds, declaring a 5.1 per cent interest in Victor. Mr Mann said yesterday that there had still been little contact with OCF, although the Australians had expresed a desire to meet Victor.

Aside from these two stakes, there are some large outstanding stakes in Victor — 25.9 per cent is held by its own pension fund and 10.1 per cent by Derbyshire County Council.

Argyll quits food manufacturing

BY NIKKI TAIT

Argyll Group, Presto and Safeway supermarkets company, has sold its three food manufacturing businesses for approximately £24m, of which about £2m is deferred.

The sale completes a period of rationalisation by Argyll, following an abortive bid for Distillers early last year. Since then, it has pulled out of alcoholic drinks with the sale of Barton Brands in the US, and the UK drinks wholesaler, George Morton.

The group's present policy, following the acquisition of the UK Safeway supermarkets for £681m, is to concentrate on food retailing, where it expects to redeploy proceeds from yesterday's sale.

The food companies involved in yesterday's sale comprise Gold Crown, Liverpool-based tea and coffee company Paterson-Bronte, which makes shortbread and quality biscuits; and Furniss, the Truro-based biscuit maker. In the year to March 28, they made an operating profit of £2.4m on sales of £27m.

The sale price includes £16m in respect of goodwill, net assets are put at £7.7m, and Argyll will show a £15.5m profit on the deal. This, says the company, will he treated as an extraordinary item.

Gold Crown and the much smaller Furniss business are both being bought by their respective managements. Paterson-Bronte, however, will go to Glasgow-based Robertson and Baxter, one of Scotland's largest private companies. It will augment the scotch whisky blender's food division, R and B Provisions, which was set up 18 months ago to acquire Arran Provisions, which makes mustards, preserves and recipe sauces.

Debenham Tewson

The offer for sale of shares in Debenham Tewson & Chinnocks, the commercial chartered surveyors being floated on the stock market, was well oversubscribed when it closed yesterday morning. Kleinwort Benson, the merchant bank sponsoring the flotation, expects to announce full details and the basis for allocation today.

Pearson wins approval for minority deal

Pearson, the publishing, banking and industrial group, has won the approval of the board of Camco, its 63.1 per cent owned US oil services subsidiary, to a $29 a share offer to buy out the company's minority shareholders. The estimated cost of the transaction, including fees and expenses, is $80m.

Pearson, which also owns the Financial Times, had previously offered $28 a share but increased the figure to win the approval of Camco's independent directors.

Earlier this year Camco acquired most of Reed Tool, a leading American manufacturer of drill bits, from Baker International. Pearson has been building up its oil interests during the recent period of low crude prices in anticipation of an eventual recovery.

Bremner's acquisition of Carswell approved

BY PHILIP COGGAN

Bremner's proposed acquisition of Carswell, the Glasgow stockbroker, was approved by shareholders yesterday and the company now plans to build up a broadly-based financial services business.

However, hopes for peace between Bremner and City and Westminster Financial, the financial services company which acts for Malaga Investments, the owner of around a quarter of Bremner's equity, proved misguided.

CWF had withdrawn its motions to unseat the Bremner board but Mr Jim Rowland-Jones, Bremner's pugnacious chairman, was unimpressed. He announced that the Malaga shares had been disenfranchised under Article 149 of the company's Articles of Association and also produced detailed attacks on the records of certain alleged associates of CWF.

However, Mr Andrew Greystoke, the chairman of CWF, denied that any of the people named were shareholders of CWF and said that the company had ceased to do business with the individuals concerned after learning of the allegations against them.

Mr Rowland-Jones was re-elected as chairman of the group by a majority of just over 5m votes, more than double the size of Malaga's holding. Mr Denis McGuinness of Carswell is joining the Bremner board as managing director.

J. A. Devenish

J. A. DEVENISH has acquired Seligman & Co, Birmingham wholesaler of wines and spirits, beers and soft drinks, for £370,000. Consideration to be satisfied by the issue of 277,100 ordinary shares with balance of £33,492 in cash. Seligman's net assets at end September 1986 were £443,858.

Cater Allen

CATER ALLEN has purchased Mark Loveday Underwriting Agencies which acts as the managing agency of Syndicate No 573 at Lloyds of London. A new company will be formed to act as a holding company for aCter's present and future share-holding company for Cater's. The company will be managing syndicates in 1988 with a total capacity of over £190m and its names agency will represent over 280 names.

Clifford Dairies

CLIFFORDS DAIRIES has conditionally agreed to purchase Roy's Cooked Meats (RCM) for an initial consideration of £3.75m to be satisfied by the issue of 556,753 new A non-voting ordinary shares at 278.4p and by the payment of £2.2m in cash. Total consideration is subject to an overall maximum of £6.5m and the total number of A non-voting ordinary to be issued will be subject to a maximum of 1,332,564. RCM's net tangible assets at July 31 1986 were £1.05m and pre-tax profits for that year were £327,000.

SYSTEMS DESIGNERS has acquired Neal and Associates, Weymouth — based environmental science consultancy. The company becomes part of Systems Designers Scientific.

Phoenix and Rohan shares halted

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

TRADING IN the shares of two property companies were suspended yesterday in separate moves that ay, in the end, prove to be related.

Shares in Phoenix Properties and Finance, a dealing and investment company — which over the last year has seen significant board changes, changes in its equity holdings and a share offer—stopped trading at 223p after a rise on the day of 13p.

Shares in Rohan Group, the Irish construction and property group with interests in the UK and US, which last year staged a profits recovery after a slump in 1985, stopped trading at 245p after a day's fall ci 5p.

Rohan announced two weeks ago that it had received an approach which might lead to a bid. In Dublin yesterday, the company would not comment, but brokers linked the suspension of its shares to the possibility of a merger with Phoenix.

Phoenix has promised a statement of its intentions today, but would not comment on the reason for the suspension. The company's shares have recently been a strong market, and the suspension caught dealers by surprise—without any ready explanation for the move.

In its last set of figures, Phoenix announced pre-tax profits for the six months to March of £21,772 (£7,049) and £115,998 for the whole 1985-86 financial year.

Sims disposal

SIMS has disposed of its entire holding of 2,246,064 ordinary shares in John Perkins Meats (23.4 per cent) at 87p per share. The aggregate proceeds of the sale amount to approximately £1.95m and compare with the cost of purchase of these shares on April 1 1987 of £574,000.

UK COMPANY NEWS

Yarrow helps boost CAP profits to £5.8m

BY PHILIP COGGAN

CAP, the computer software and engineering company, yesterday announced more than doubled pre-tax profits and the £4.75m acquisition of Data Networks.

A ten month contribution of £1.4m from Yarrow, which CAP acquired for £33m last year, helped boost pre-tax profits from £2.7m to £5.83m in the year to April 30. Turnover was 56 per cent higher at £78.8m (£50.6m) and after tax of £2.19m (£1.07m), earnings per share were 32 per cent up at 10.4p (7.9p).

In December, Gresham-CAP, a joint venture between the group and Dowty, won an £85m contract to develop and produce a command system for the Royal Navy's submarines. Further significant contracts were won from the Committee of London and Scottish Clearing Banks for an electronic funds transfer pilot scheme and from British Rail for four signalling systems.

The acquisition of Data Networks, a facilities management supplier, a major customer of which is London Regional Transport, follows May's purchase of LRT's business services division for £1.1m. CAP has also bought Baddeley Associates, an information design company, for £3m since the year end and it disposed of Control Systems, part of Yarrow, for £3.2m last October.

The initial £4.75m consideration for Data Networks has been satisfied via a vendor placing of 1.67m new shares with further payments of up to £6.6m possible, depending on future profits. In the 10 months to April 30, Data made pre-tax profits of £706,000 on turnover of £9.28m.

The final dividend being paid is 1.2p (1p), making a total of 1.8p (1.5p).

● comment

Yarrow's £1.4m contribution, as against the £3m it forecast at the time of the bid from the Weir group, is not as bad as it looks; first of all, it is only ten months, second it fails to take account of interest income earned on Yarrow's cash surplus and third part of the group was sold in the course of the year. Nevertheless, Yarrow brought down the return on capital employed and increased the group's dependence on the MoD (now 35 per cent of turnover). It thus adds a chunk of risk to CAP's shares as does the acquisition of Data, which is heavily geared towards its contract with LRT. However, these fears are long term in nature and for the medium term the prospects for CAP are very good, given the potential of the submarine command system and EFTPOS. Profits should top £8m this year, putting the shares at 298p on a prospective p/e of 23.5. That looks high enough.

Thorn EMI completes sale of USH holding

BY NIKKI TAIT

Thorn-EMI, the consumer electronics group, yesterday confirmed that it has disposed of its entire 4.9 per cent stake in United Scientific Holdings, the defence equipment company.

A spokesman for Thorn said that a small part of the stake had been sold last Friday, but that the bulk was placed on Wednesday. The sale was handled by the company's advisers, Morgan Grenfell.

News of the stake emerged in the weekend press—although no mention was made of Friday's disposal—and at the end of last week USH shares rose to a peak of 360p. Since then, they have fallen steadily, but yesterday recovered 2p to close at 314p.

The sale follows several discussions between the two companies—the latest on Monday afternoon — although these never came close to a formal offer.

Yesterday, Thorn's managing director, Mr Colin Southgate, said that he still believed there was synergy between the two companies but that the shares had gone too far ahead. The company, he added, was still looking at possible acquisitions, but not at any price.

The stake was detected by USH about ten weeks ago, when the shares were trading around the 250p level. Thorn is believed to have made a profit of around 100p a share—suggesting some £2.5m in total. Yesterday USH's finance director, Mr Peter Hickson, said he believed that the stake had gone to a number of buyers.

Allied Dunbar boosts new unit trust sales by 84%

BY NICK BUNKER

Allied Dunbar, the life assurance and unit trust subsidiary of BAT Industries, has reported an 84 per cent jump in new unit trust sales in the first half of 1987. Its figures appear to show an acceleration of the trend for personal investors to switch away from single-premium insurance bonds towards units trusts, which are generally more tax-efficient.

Allied Dunbar's total new unit trust business was £200m in the six months to June 30, against £109m in the same period last year. New single premiums, however, fell 10 per cent to £70m.

Unit trusts have a basic competitive advantage because they become liable for capital gains tax only when investors sell their units. Insurance funds on the other hand incur a CGT liability on accumulations within the fund.

Allied Dunbar's new annual premiums rose 18 per cent to £60m. Within this, life business including mortgage - related sales grew 33 per cent to £22m, while pensions sales rose 10 per cent to £38m. The group's Home Loans service also completed new mortgage advances of £100m.

Allied Dunbar also had a strong result from its adaptable term assurance plan, a low-premium protection policy introduced in January. The group said the plan had enjoyed "buoyant sales," with new annual premiums of just under £2m and new sums assured of more than £500m.

Allied Dunbar said total initial commissions — which were up 24 per cent at £83m—were the best indicator of overall growth. It said this figure partly reflected the "comparatively quiet" first quarter.

Funds under management reached £6.3bn, up 34 per cent on June 1986.

BTS profits fall 14%

BTS Group, the USM-quoted vehicle manufacturer, incurred a setback of 14 per cent to £511,000 in *pre-tax profits for* the year to March 31 1987 following the warning given in the January interim statement that profits were unlikely to exceed the £594,000 of 1985/86.

The cause of the profits shortfall was the closure of the Tyrolysis tyre waste recycling plant which resulted in a significant increase in the cost of tyre casing disposal.

The directors said they were confident the current year would be one of satisfactory progress. *Sales showed an increase* of 36 per cent over those for the previous year, after adjustment for the sales attributable to the Monarch Motoring Centres which was sold.

Turnover last year ended the year 16 per cent up at £10.53m (£9.1m) after being only marginally ahead at the half way stage. The trading profit emerged at £667,00 (£759,000); interest payable was £156,000 (£165,000) and tak took £128,000 (£112,000) leaving earning per 10p share of 7.44p (9.37p). There were no extraordinary credits this time (£288,000).

The dividend is raised from 4p to 4.25p per 10p share with a proposed final payment of 2.95p.

GREEN PROPERTY (property investment and development). Pre-tax profits rose from I£617,000 to I£727,000 in half-year to June 30. Net rents £1.03m (£907,000); other operating income £74,000 (£91,000); administration expenses £238,000 (£223,000), and interest payable £140,000 (£158,000). Tax took £319,000 (£308,000), and tax provisions provided and not now required totalled £639,000. Interim dividend unchanged at 1.1p. Earnings per share 3.18p (2.41p).

WESTWOOD DAWES has changed its name to Mining and Allied Supplies with effect from July 20.

Enlarged Arlen on target with £1.4m

PROFITS OF the enlarged Arlen, electric and electronic manufacturing group, were well up to forecast for the year ended March 31 1987, and the final dividend is the promised 1.5p making 2p net.

Adjusting the 1986 figures to include acquisitions, turnover for the year rose 28 per cent to £11.84m, while the pre-tax profit more than trebled, from £467,000 to £1.45m—not less than £1.4m was forecast in June. Earnings were 11.25p (3.89p).

Mr Leslie Hancock, the group executive chairman, said the second half followed the normal pattern and produced much improved sales.

The Columbia companies continued to make progress. Product range was extended and benefits were expected to flow through partly in the current year. The engineering facility was being more widely utilised.

The chairman believed that Scandinavian Decor, the maker of decorative light fittings acquired at the end of last year, was capable of substantial growth once the business was re-located. The manufacturing and sales activities will be moved into existing premises at Folkestone and Slough by the end of the half year.

The acquisition of Centrepiece Engineering and Centrepiece Distributors had been completed. That enabled the group to enter another trading sector.

● comment

Arlen's share fall yesterday owed nothing to its figures and everything to the general weakness of the market, the imminent account end, and the inevitable profit taking. Acquisitions accounted for a 61 per cent rise in actual turnover, with a full year contribution from Columbia, but that was underpinned by a near sixfold rise in profits for the original group business. Its reasonable level of gearing gives it scope to fulfil its avowed aim of continuing on the acquisitions path, but the year is unlikely to see Arlen joined by anything as large as its recent buys; likelier targets will be smaller private operators. It is likely to concentrate on spreading its overheads by increasing its range of products and using its existing marketing network. Its Nightguard system of infra-red sensitive lights has benefited from the upturn in security consciousness and heralds a gradual move into the alarm system market. Scandecor and Centrepiece should make full-year contributions next time around, and that coupled with the expected organic and acquisitions growth leaves the City expecting around £2.3m. On a tax charge of 32 per cent and with the shares down 13p to 212p that produces a prospective p/e of 14; good value.

CITY AND FOREIGN Holdings says some 85 per cent acceptances were received for the offer of 2.49m ordinary shares at 210p each. Completion of the acquisitions of Business Advisory Services (Northern) and BAS Microfilm have been affected.

UK COMPANY NEWS

First Leisure surges to £3.8m

First Leisure Corporation, which was formed to acquire the leisure interests of Trusthouse Forte, lifted pre-tax profits by 85 per cent from £2.07m to £3.83m in the 26 weeks to May 3, on turnover up from £20.69m to £24.9m.

The directors declared an interim payment of 3p—up from 2.5p last time. Earnings per share moved up 83 per cent from 4.2p to 7.7p.

Lord Delfont, chairman, pointed to the "unusually high" profits from the sale of properties and investments—£424,000 compared with £81,000 last time—but stressed the substantial rise in First Leisure's trading profits from £1.99m to £3.41m.

He said that this was particularly gratifying as it reflected the success of First Leisure's policy to reduce dependence on summer trading.

The dancing operations had stepped up profits growth and the new units in Uxbridge, Peterborough and Hull had outperformed expectations.

The company's sports businesses were trading well and the ten-pin bowling centres were all showing profits ahead of last year. The snooker clubs remained among the most successful in the country.

Lord Delfont reported that the traditional winter losses of the resort businesses had been well contained and the units were well placed for the summer season.

All the company's restaurants had performed well in a highly competitive market, and First Leisure was actively seeking additional sites for development. Its theatres in the West End of London had benefitted from the continued success of the production of Chess at the Prince Edward and 'Allo 'Allo at the Prince of Wales.

Tax charges accounted for £1.34m (£726,000) and retained profit totalled £1.52m (£508,000).

● comment

Even after stripping out the income from property and investment transactions, pre-tax profits were ahead by more than 70 per cent, justifying First Leisure's outperformance of the market since the last results in January. A large proportion of the profits growth resulted from the company's successful attempt to reduce dependence on summer trading, so the full year increase will be less impressive. Improvements in the performances of the two West End theatres will not be easy as both have been running to near capacity. But the £20m-a-year spending on refurbishment and new openings will continue to come through — the new Hull dance hall, for example, is expected to contribute £250,000 to profits after a £950,000 investment. And visitors to Blackpool, who provide about a third of First Leisure's profits, are still increasing their spending there. All this should put £15.5m within easy reach at the pre-tax level, putting the shares, up 8p at 635p, on a prospective p/e of about 20. The company is a good bet for future expansion and the multiple is about right in a highly rated sector.

Aaronson doubles profits to £2.9m

Chipboard - manufacturer Aaronson Bros anticipates an excellent result for the year after it more than doubled pre-tax profits in the six months to March 31 1987.

Profits surged from £1.2m to £2.85m on turnover up from £45.2m to £54.35m.

The directors declared an interim of 1.7p—up from 1.2p last time—and earnings per share rose from 2.36p to 5.9p.

They said that with the considerable capital expenditure programme well advanced and a number of new projects planned prospects for growth were extremely promising.

Increased demand was seen at the retail products division and the industrial products division. A first new technology laminating press had been successfully installed and a further two were currently being installed. Together with new impregnation plants these would boost the efficiency of the two divisions' operations.

The distribution division experienced general increased levels of demand while the plastics products division saw further progress arising from the increasing product range. Investment in plant was being increased to maintain levels of production.

Tax took £696,000 (£333,000) and retained profit totalled £1.5m (£30,000).

DARES ESTATES said that in response to its rights issue, 57,163,463 ordinary shares (approximately 97 per cent) had been taken up by 3 pm on July 17. The balance has been sold in the market, and the premium will be distributed pro rata among the original provisional allottees.

Stanley Leisure moves to £2.5m on growth from both sides

ADVANCES IN both its betting shops and casinos divisions pushed the Stanley Leisure Organisation to rises of 25 per cent and 46 per cent in turnover and profits respectively in the year ended April 26 1987.

The company, which obtained a full listing a year ago, is paying a final dividend of 2.25p for a net total of 4p, against 3.25p forecast. There is also a one-for-three scrip issue.

Turnover moved up to £53.36m (£42.77m) and the pre-tax profit to £2.5m (£1.73m including exceptional credit £197,000). Earnings worked through at 15.1p (10.2p).

Racing turnover rose to £48.94m (£39m) and, with trading margins excellent, the profit came to £2.05m (£1.22m). All three casinos traded well, with turnover at £4.39m (£3.72m) and profits at £1.05m (£711,000). Central costs were up to £582,000 (£405,000).

In the current year racing turnover had been satisfactory although margins were not at last year's level. Casino division was ahead and the directors said the group would continue to move forward.

The two betting shop companies acquired should make a significant contribution in their first full year of trading.

● comment

Stanley Leisure began the year with 117 betting shops and ended it with 152, but only £130,000 of its pre-tax profits increase came from the acquisitions: the rest of the racing division's advance came from organic growth and the closure of poorly-performing branches. That suggests that a full year from the acquisitions, together with the introduction of satellite television into some of the betting shops and an improved performance from the casino division, will put £3.5m within reach in the current year without further expansion. The company has ambitions and the funds to satisfy them: it remains acquisitive and is still sitting on its 17 per cent stake in Rex Williams, though a move on that front may not be imminent. At 420p, the prospective p/e multiple of over 20 looks demanding against the wider market, but it asks no more than First Leisure's rating while holding out the prospect of faster earnings growth.

British Bloodstock profits decline to £0.75m

A REDUCTION of nearly 40 per cent in pre-tax profits, from £1.23m to £745,000, was reported by USM-quoted British Bloodstock Agency for the year to end-March 1987.

The fall was after an exceptional write-down of £129,000 in stallion shares without which the profits fall would have more nearly related to the reduction in gross revenue, Mr Michael Wates, the chairman, said.

Gross revenue down from £76.94m to £60.39m represents the amount invoiced to clients for bloodstock sales and other agency services and nomination income, while turnover—slightly ahead at £5.56m (£5.49m)—represents commissions and fees on services provided.

Despite the profit fall the directors are maintaining the dividend at 8.8p for the year with an unchanged 6.3p final. Earnings per share fell to 11.9p (20.8p).

The chairman said that the trend of falling values at the top end of the market had continued throughout the year and the industry had had to adjust. The group had to buy a much greater number of horses to compensate.

He added that the group needed to become less dependent on horse buying commission in the future by expanding its service activities, in particular shipping, stallion management and insurance. The directors also planned to increase the income from the Newmarket properties.

Tax for the year took £338,000 (£521,000).

Office equipment boosts Black Arrow to £2.4m

Black Arrow Group, office furniture and equipment concern, reported pre-tax profits for the year to the end of March 1987 up by 50 per cent to £2.48m, against £1.65m last time.

Mr Arnold Edwards, chairman, said the results proved that the policy of concentrating on office furniture and related activities had paid off.

He added that he was delighted with the figures.

Turnover rose by 43 per cent to £17.9m (£12.53m) with most of the increase coming from office furniture manufacturing distribution and partitioning.

There were contributions of £1.75m (£1.57m) from leasing and instalment finance and £410,000 (£173,000) from retailing and franchising. Last time there was £786,000 from a discontinued activity.

Earnings per 50p share were stated at 22.6p (15.41p) and directors are proposing a final dividend of 4.2p (3.25p) to make a total for the year of 6.3p (5p).

A scrip issue and sub-division of the 50p shares into one of 20p are also being recommended, which would result in holders receiving seven 20p shares for two 50p.

The tax charge was £771,000 (£608,000), minorities absorbed £166,000 (credit £3,000) and dividends absorbed £413,000 (£330,000), leaving retained profit for the year at £1.08m (£687,000).

T & N offshoots improve

Two Turner & Newall South African subsidiaries yesterday both reported improved results.

Turner & Newall Holdings, 51 per cent owned, reported pre-tax profits of R8.2m (£2.48m) for the six months to the end of June against R4m, restated for the sale of the building products. Associated Engineering (SA), 76 per cent-owned, reported taxable profits for the nine months to the same date up from R2.9m to R5.4m.

T & N Holdings achieved the result on turnover up at R60m (R40.7m) with earnings per share of 28.1c (11.5c). Directors said that the automotive aftermarket continued to be active as was the chemicals and plastics division.

Trading the rest of the year was promising they added.

Turnover at Assene improved to R48.6m (R42.2m). Earnings per share came out at 13.6c (7.1c).

Directors said the sales increase reflected continuing buoyancy in the parts aftermarket and market share increased. The rise in profits, made despite a loss in the iron foundry, reflected increased demand and the success of the emphasis on productivity improvements.

LOWE HOWARD-Spink & Bell has bought GJW, a government relations consultancy, for an initial consideration of £1.8m and deferred payments of up to £4.7m depending on GJW's future profits. In the 11 months to March 31 1987 GJW made profits of £380,000 before tax.

BETRAM HOLDINGS (plantations): Pre-tax profits for 1986 were £1.17m (£0.73m). Earnings per 10p share 3.93p (2.35p) and the dividend 1p (0.95p). Turnover £1.27m (£1.33m).

ROMNEY TRUST: Net asset value per 25p share was 487.7p (414.7p) as at June 30, 1987. After-tax revenue for six months £544,000 (£599,000) and earnings per share 1.84p (2.08p). The interim dividend is 1.65p (same).

Elbief cuts payment on 33% profits fall

DESPITE TIGHT control on overheads Elbief experienced a 33 per cent reduction in profits for the year ended April 30 1987 and is cutting the dividend.

There was only a marginal increase in sales, from £4.2m to £4.22m, and the pre-tax profit fell to £402,000 (£603,000). Earnings worked through at 1.58p (2.61p) and the final dividend is cut to 0.95p (1.36p) for a net total of 1.482p (1.892).

Mr Samuel Prais, chairman, said sales of the Elite collection continued their steady advance and the ranges of photograph frames, clocks and mirrors were now established. But the market for the older products of accessories for leathergoods declined more sharply because of current fashion trends.

Operating profit for the year fell to £297,000 (£433,000) and interest receivable and surplus on sale of investments were down to £105,000 (£170,000).

Sangers name to disappear from market

By Philip Coggan

The name of Sangers is to disappear from the stock market. Just two years ago, there were two quoted companies with the name but Sangers Photographic has now announced plans to change its name to Quadrant Group as part of a move from the USM to the main market.

Sangers Photographic was spun off from Sangers, the fully-listed pharmaceutical wholesaling group in 1984. One year later it was joined on the USM by its parent when the latter acquired Pavion International, a US cosmetics group which did not have a lengthy enough record of audited accounts to satisfy Stock Exchange requirements.

Later that year, the original Sangers changed its name to that of Pavion and sold its remaining stake in Sangers Photographic. And now, the protege is overtaking its former owner, moving to the main market whilst Pavion remains on the unlisted market.

Higher R and D investment affects AMS Industries

AMS Industries reported a 16 per cent reduction in pre-tax profits for the six months ended May 31.

Although turnover jumped by 79 per cent to £3.33m (£1.86m) that figure included £1.38m from Calrec Audio, acquired in August 1986. Sales of AMS rose from £1.86m to £1.94m and the pre-tax result for the group fell to £947,000 (£1.13m).

Operating profits of £913,000 (£929,000) include £200,000 from Calrec Audio. The reduction reflected an increased investment in research and development and the costs of raising the company's profile to market higher value products, Mr David Moulds, chairman, said.

That substantially increased investment, while having some short-term effect on profitability, had been made with the clear objective of increasing sales and profits from the group's products, he added.

The directors are holding the interim dividend at 0.5p, to be paid from lower earnings of 2.02p (2.38p) per 5p share. A 1.5p total payment was made in 1985-86 when pre-tax profits reached £2.2m.

The pre-tax result was after a drop in interest earned, from £202,000 to £34,000, reflecting the investment in Calrec both in terms of the initial cash consideration and new premises. Mr Moulds said the benefits of that acquisition had begun to be felt.

The tax charge fell to £331,000 (£416,000).

Leading Leisure

Leading Leisure, the Southampton-based leisure and construction group, lifted pre-tax profits by 75 per cent from £378,000 to £662,000 for the 28 weeks to May 16 1987.

Turnover was virtually doubled at £13.9m (£7m) reflecting increased activity levels in all divisions, particularly Leisure Bookmakers.

The increase in trading and profits was continuing into the second half and as in the past, the board expected that a greater proportion of the annual profits would be earned in the latter part of the year.

First-half earnings per share improved from 1.1p to 1.7p. The interim dividend is 0.4p (0.3p)—the company's shares are traded on the Over-the-Counter market.

Johnstone's Paints ahead and on target for growth

Johnstone's Paints, USM-quoted paint manufacturer, pushed up its pre-tax profits from £546,630 to £595,548 on turnover up from £6.21m at £7.06m in the six months to May 30 1987.

The directors declared an interim of 1.765p—unchanged from last year—and earnings per share rose from 3.38p to 3.69p.

They said that the company's controlled growth plan was continuing on schedule. The acquisition on June 1 of a paint merchants in Brighton was expected to contribute more than £500,000 to turnover in the next year.

Johnstone's has created an export sales department which could prove very profitable in years ahead.

However, increased raw material prices combined with increased overhead costs have slightly eroded the company's profit margin. The over capacity within the industry has resulted in very competitive selling prices, making it extremely difficult to recover these costs.

VANTAGE SECURITIES (investment trust) — Net asset value per 10p share 117.9p against 76.5p for the six months ended June 30 1987. Pre-tax revenue £44,000 (£41,000). After tax of £13,000 (same) earnings were shown as 1.039p (0.96p).

BOARD MEETINGS

TODAY

Interims: British Kidney Patient Association Investment Trust, Lloyds Bank, Yeoman Investment Trust.

Finals: J. & J. Dyson, Eve Construction, James Ferguson, Melmont, William Sommerville.

FUTURE DATES

Interims—

British Alcan Aluminium	Aug 5
British Petroleum	Aug 13
Cardiff Property	July 13
Finals—	
Gibbs Mews	July 31
Herrburger Brooks	Aug 18
Tex Holdings	July 13

THE PROPERTY MARKET By PAUL CHEESERIGHT

When rates are a commercial concern

RATES REFORM is a subject everybody agrees about—until they see the small print. Few disagree that the present system is crazy. Not all agree that change will be beneficial—if they have to pay more.

Later this year detailed forms will be dropping on to the doormats of commercial properties in England and Wales as the Inland Revenue seeks the information for the first reassessment of the rateable value of non-domestic property since 1973.

With that the process of rates reform becomes a commercial reality. It precedes the introduction, on the revalued properties, of a uniform business tax, or the same rate everywhere, in April 1990. Overshadowed by the debate about the individual poll tax, it will soon be a fact of life.

Out goes the sort of situation which keeps rates in Newcastle at a level three times those in Kensington. Out goes a different level of rates between neighbouring boroughs.

"The move will bring some fairness back to the rating system. Nobody would dream of paying income tax on what they earned 15 years ago, but this is how the tax on land is currently applied," says Jimmy Hearn, the rating specialist at G. L. Hearn, chartered surveyors.

"The tax has lost track of reality. It has become unfair and random in its effects," says Peter Reed of King and Co chartered surveyors.

Property values have changed radically since 1973. But bringing them up to date in the rating revaluation could bring some nasty shocks.

There has been the slump in values where the economy has been depressed—the North West, parts of the Midlands, the North East, for example. But there has been a rise of values in areas which increased rapidly in importance over the same period—the M4 high-tech corridor, the districts around the M25. And there has been the upward march of retail property values throughout the country.

So the more prosperous areas, the richer sectors, are going to produce higher rateable values for the properties within them. Older industrial properties are likely to see a fall in rateable value. But even in the favoured South East, rates bills will not necessarily always be higher. One of the objects of the Government's reform is to rein in the high rates that some local authorities have levied, not least in the London area—Ealing, Camden and Hackney, for example.

The fact that revaluation and the introduction of the uniform tax take place together makes estimating the effect very difficult. Something of the nature of the change is shown on the accompanying charts.

King and Co has assumed that the revaluation takes place this year and that the uniform business tax—the rate poundage—will be set at 45p in the pound. The combination has been applied to a notional property—a modern warehouse of 10,000 square feet with 1,000 square feet of offices.

This calculation demonstrates the general point that the newer more prosperous property areas can expect higher rates bills. The areas where boroughs have loaded up the commercial rates can expect to pay less.

Gerald Eve, chartered surveyors, earlier did another set of sums and came to the conclusion that the average rise in the rates bill over the retail sector for prime shop properties would be 49 per cent. "The locations where rates will go up most are not confined to a single part of the country but tend to be in market towns and historic centres," its survey suggests.

Although not so confident about its estimates for office property, Gerald Eve has calculated an average fall in rates of 29 per cent but an increase of 41 per cent in England and Wales with the strongest increase in the South East. But the figures vary strongly from place to place.

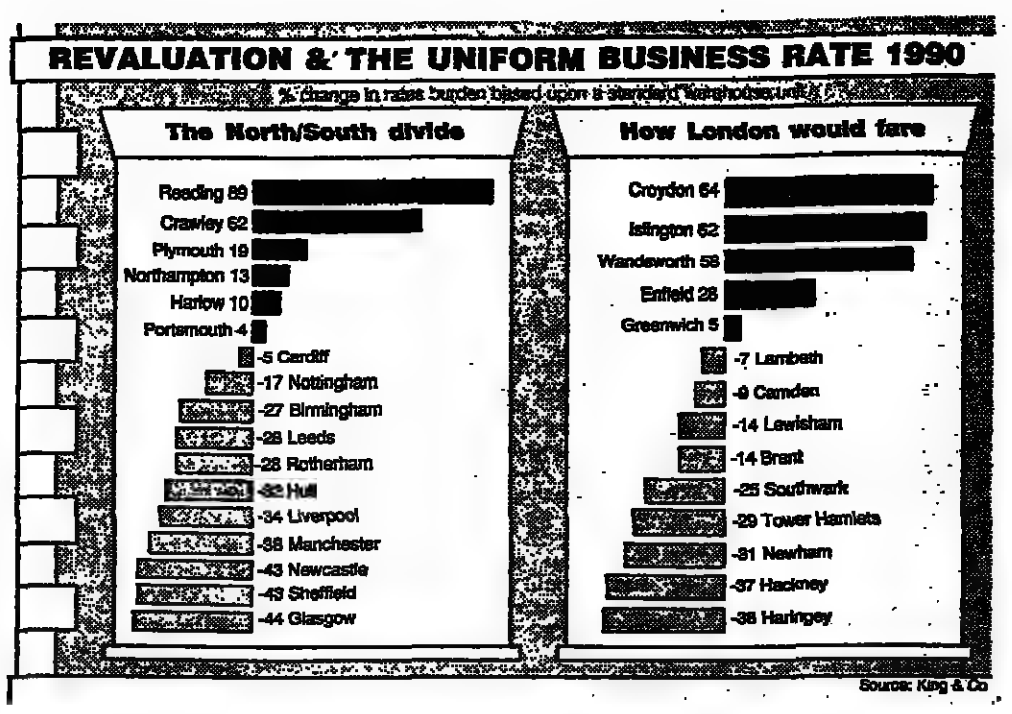
When it comes to assessing how total accommodation charges are going to change and what effect this will have on the manner in which companies decide to locate their premises, the position becomes very cloudy.

As a working hypothesis, it is probably fair to assume that if a company sees it as essential to be in the Thames Valley (and according to the chart Reading looks set for a whopping rates rise on industrial property) then that will override the cost of providing for the premisess.

Where rates rise strongly, however, there could be a constraint on rent increases. Where rates fall tenants can anticipate tough negotiations at the next rent review as landlords seek to gain a portion for themselves of a lower accommodation bill.

Just because rates might rise strongly in the Thames Valley and accommodation charges increase, this would not necessarily mean that companies would simply depart to a cheaper Midlands and North. In the King and Co view they are more likely to move further east and look at places like Harlow. The M1 and M11 corridors could become increasingly popular.

But if a reduced rates bill provides the opportunity for landlords to seek higher rents, this could act as a marginal stimulus in, say, the North East. There, for example, office rents are not sufficiently high to tempt developers into major projects. A rise in rents as a result of lower rates could make them change their minds.



The countdown for the programme of revaluation

THE INLAND REVENUE will be sending the rates revaluation forms to 2m properties in England and Wales at the end of the year. The Revenue calls the pieces of paper rent return forms because the rateable value of the property is dependent on its rental value.

The key date for setting the valuation of a property is April 1988. Although the new system will come into operation in April 1990, the base date for the calculation of valuation is two years earlier.

In December 1989, the Revenue will deposit the new list of property valuations — and that will be the end of a complicated administrative process. In the interim many companies are going to find that they disagree with the assessment of their rateable value. How that will be handled will depend on a consultative document which the Department of Environment is issuing.

Even when the appeals have been sorted out, some companies are going to see their charges markedly increased. To soften that effect, the Department of Environment is planning a transitional period with rates increases held down underneath a so far unspecified annual percentage increase.

This phasing would mean that the full effects of the combined revaluation and uniform business tax would not be felt until after a second revaluation, coming into effect in 1995 but based on 1993 values.

After 1995 it is unclear whether there will be a full revaluation of property every five years, or whether there will be a rolling revaluation based on an index updated yearly through the revaluation of a fifth of all commercial properties.

In general terms the Government has promised that the rates poundage will not rise faster than the rate of inflation. But the exact form of indexing has not yet been settled. Nor has the rates poundage to come into effect in 1990. Current betting is that it will be set between 40p and 45p in the pound.

Scotland is working towards bringing its commercial rating system into line with that in England and Wales. Its last commercial property revaluation was in 1985, the next is planned for 1990. Under legislation passed before the election and coming into force in April 1989, the non-domestic property rate is linked to inflation.

Company Notices

TRANSVAAL GOLD MINING COMPANIES

ADMINISTERED BY
ANGLO AMERICAN CORPORATION
INTERIM DIVIDENDS — FINANCIAL YEARS
ENDING DECEMBER 31 1987

On Thursday, July 23 1987 dividends were declared in South African currency, payable on Friday, September 11 1987 to members registered in the books of the undermentioned companies at the close of business on Friday, August 7 1987, and to persons lodging their share warrants to bearer and talons issued by The South African Land & Exploration Company Limited at the office of the United Kingdom transfer secretaries, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

The transfer registers and registers of members will be closed in each case from Saturday, August 8 to Saturday, August 22 1987, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Thursday, September 10 1987. Registered members paid from the United Kingdom will receive the United Kingdom currency equivalent on Monday, August 10 1987 of the rand value of their dividends (less appropriate taxes). Any such members may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before Friday, August 7 1987.

The effective rate of non-resident shareholders' tax for the undermentioned companies is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the head and London offices of the companies and also at the offices of the companies' transfer secretaries in Johannesburg and the United Kingdom.

Name of Company (each of which is incorporated in the Republic of South Africa)	Dividend No.	Rate of dividend per share
Elandsrand Gold Mining Company Limited (Registration No. 74/01477/06)	10	● cents
The South African Land & Exploration Company Limited (Registration No. 01/01879/06)	92	● cents
Vaal Reefs Exploration and Mining Company Limited (Registration No. 05/17354/06)	62	● cents
Western Deep Levels Limited (Registration No. 57/02349/06)	51	● cents*

* Per ordinary and S ordinary share

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. BULL
Senior Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office:
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
July 24, 1987

AAC

Vitro S.A.

U.S.$75,000,000
Floating Rate Note due 1988
(extendable at the Noteholders option to 1991)

In accordance with the terms and conditions of the Notes, Notice is hereby given that the rate of interest for the period 23 July 1987 to 25 January 1988 was fixed at 8.0 per cent per annum.

On 25 January 1988 interest of U.S.$41.33 per U.S.$1,000 nominal amount of the Notes, U.S.$413.33 per U.S.$10,000 nominal amount of the Notes and U.S.$2066.67 per U.S.$50,000 nominal amount of the Notes will be due against coupon no. 13.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the interest payment date falling in July 1988, provided that any Noteholder may, at his option and expense, unless his Note has been previously called for redemption, extend the maturity thereof to (and only to) the interest payment date falling in July 1991 by presenting such Note to any paying agent during the period beginning on the interest payment date falling in July 1987 and ending on the seventh business day prior to the interest payment date falling in January 1988 with the Notice of exercise thereon duly completed. Upon such presentation the Note will be enfaced to validate such extension and the six additional interest coupons maturing on the interest payment dates falling in the period from January 1989 to July 1991 inclusive will be validated (and unless and until so validated shall not be valid for any purpose whatever). In relation to any Note so validated, references to maturity or redemption shall be construed to take account of such extension.

Swiss Bank Corporation International Limited
Agent Bank

WORLDINVEST INCOME FUND

DIVIDEND ANNOUNCEMENT DECLARATION
OF DIVIDEND No. 21

The Managers of the Worldinvest Income Fund are pleased to announce a US$8.50 per share distribution to Shareholders in respect of the half-year period from December 31, 1986 to June 25, 1987. Coupon Number 21 and also any previously unpresented coupons may be presented for payment on or after August 3, 1987 to any of the following Paying Agents.

1. BankAmerica Trust Company (Jersey) Limited,
   P.O. Box 120, Union House, Union Street, St. Helier, Jersey
2. Bank of America International S.A.
   35 Boulevard Royale, Case Postale 495,
   Luxembourg, Grand Duchy of Luxembourg
3. BankAmerica Trust & Banking Corporation (Bahamas) Limited,
   BankAmerica House, East Bay Street, Nassau, Bahamas
4. Bank of America NT & SA,
   P.O. Box 311, 19th Floor, 12 Harcourt Road, Hong Kong

Payments will be made subject to any applicable fiscal or other regulations within fourteen days of such presentation.

BankAmerica Trust Company (Jersey) Limited
Manager
July 24, 1987

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN

MICHELIN ET CIE
FFr500,000,000
7¼ Convertible Bonds due 2000

NOTICE TO BONDHOLDERS

Michelin hereby gives notice that following the ten to one split of the shares of Compagnie Générale des Etablissements Michelin which will take effect on the 3rd August 1987 and in accordance with the provisions of article 6 (h) (iii) of the "description of the bonds" of the prospectus, the conversion rate of the bonds has been adjusted. The new adjusted conversion rate of the bonds will be 44.20 "B" shares for each bond.

NOTICE TO THE HOLDERS OF TOYODA TSUSHO KAISHA LTD

U.S.$70,000,000 3 PER CENT GUARANTEED BONDS 1992 WITH WARRANTS

By a resolution of the General Meeting of Stockholders adopted on June 26, 1987, the corporate name of TOYODA TSUSHO KAISHA, LTD. was changed to TOYOTA TSUSHO CORPORATION with effect from July 1, 1987.

The Bonds and Warrants will not be overstamped nor exchanged for new Bonds and Warrants. The Bonds and Warrants will continue to be listed on the Luxembourg Stock Exchange under the former name followed by the new one.

BANQUE GENERALE DU LUXEMBOURG S.A.
Listing Agent

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Please send your curriculum vitae to:
Cipher CL-1076
TRISERVICE S.A.
Case postale, 1218 Chatelaine-Geneva/Switzerland
All replies will be treated confidentially

General Appointments

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MAJOR INTERNATIONAL INVESTMENT GROUP

is seeking an individual with minimum 3 years relevant business experience to join team, based in London, responsible for development of Far Eastern investment banking activities to include short/long term debt financing, equity financing, merger and acquisitions. Salary negotiable. Applicants aged 25-30, fluent in Chinese and Japanese in addition to English and educated to MBA standard, should write in strictest confidence, enclosing full cv to:

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on October 15 to commemorate
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COMMODITIES AND AGRICULTURE

Alarm bells ring for popping wine corks

BY TIM DICKSON IN BRUSSELS

THE MUSICAL pop of the humble wine cork is under threat in the European Community, according to a somewhat alarmist report just issued in Brussels.

The disturbing news for drinkers of high quality wines comes from the Committee of Agricultural Organisations in the European Community (COPA) and its sister organisation COGECA, which represents farming co-operatives.

In a statement just sent to the European Commission the two groups draw attention to what they call "the serious and worrying situation facing the cork sector in the European Community" and the "immediate action" required to halt its decline.

Cork is the main product of the cork oak tree and is only cultivated in Europe in forests on the Iberian peninsular, with Portugal's industry probably the most significant.

What is worrying COPA and COGECA, whose representatives have recently made a visit to the region, is that the total afforested acreage has been gradually declining over the years and now amounts to just 2.5m hectares.

Just what the lobbyists are seeking is unclear, though a spokesman specifically denied that a market regime of price supports and guaranteed intervention buying was being proposed (even if legally this might be possible.

He said that COPA and COGECA wanted to make sure that the Commission's forthcoming forestry proposals — which are due to be unveiled in the autumn — do not overlook the problems of a relatively small but nevertheless important sector of the industry.

A Commission official last night confirmed that cork production in the Community has been going down and that demand is increasingly strong — not only for wine corks but for decoration, soundproofing, and granulated products such as table mats.

He added that there had been no request from member states or producers for any market organisation of the sector but that cork is already eligible for certain aids and the forestry proposals were designed to be "comprehensive."

Most plantations of cork oak trees in Portugal date from the 19th century and have thus become less and less productive. Supply shortages have been exacerbated by disputes over land ownership since the Revolution and by illegal cutting to preserve the stock (cutting is only allowed every nine years). Some 70 per cent of processed Portuguese cork production, meanwhile, is carried out by one company with around 300 small companies responsible for the rest.

Oil prices continue to decline

By Lucy Kellaway

OIL PRICES continued their descent yesterday as traders reacted to accommodating statements issued by both the US and Iran about the passage of tankers through the Gulf.

In London the price of Brent crude oil fell by about 20 cents to $19.90 a barrel for delivery in September, while in New York the price of West Texas Intermediate was trading 32 cents down at $21.23 by mid afternoon.

Trading was unusually heavy, and in the Brent market nearly 20 deals were reported in the September month alone. Traders said that the market had built up long positions during the sharp price rise of the last two weeks, and that these were being unwound.

In contrast to the exchange of threats between US and Iran which has pushed prices up by more than $3 this month, yesterday Iran was reported as saying that it would not hit others ships unless it was attacked.

Meanwhile the US was reported to say that as soon as the danger in the region subsides, it will stop escorting Kuwaiti tankers through the Gulf.

Since hitting the highest level on Monday since January last year, oil prices have retreated by over $1 a barrel.

US rules out short-term export subsidy freeze

THE US will resist pressure from other countries for a short-term freeze of export subsidies like the Export Enhancement Programme (EEP) unless agreement is also reached to roll back subsidies, Mr Daniel Amstutz, the under-secretary of agriculture, said yesterday.

"We're not interested in a freeze without a roll-back," said Mr Amstutz, who has submitted his resignation effective August 1. He has just returned to the US after a final visit to Europe for talks with senior European Community officials, Reuter reports from Washington.

"We will not do just one leg of a three-legged stool," Mr Amstutz said. The other two legs were the removal of barriers to markets and the harmonisation of health and santiary regulations.

Mr Frans Andriessen, EC Agriculture Commissioner, during a visit to Washington last week, called on the US to agree to a short-term freeze of the EEP to provide a lift to the Uruguay round of global agriculture negotiations.

The Cairns Group, 13 agricultural producing nations led by Australia and Canada, also have called on the US and EC to agree to a ceasefire in the export subsidies war.

But Mr Asmtutz said a freeze agreement would avoid the larger issue of dealing with subsidies over the long-term.

He was disappointed by the negative statements of Mr Andriessen about the US farm subsidy proposal, sensing some hardening of the EC position in statements last week, compared with a more positive reaction to the US plan earlier in Geneva. Mr Amstutz rejected suggestions that the US delayed some EEP announcements in recent weeks while it put forth the US comprehensive farm subsidy proposal in Geneva.

The administration is believed to be poised to make a major expansion of the EEP to South America, including Brazil, Colombia and Venezuela. Mr Donald Novotny, USDA's top grain expert, is in Brazil amid rumours of a possible EEP wheat offer.

On the Uruguay round talks, Mr Amstutz said negotiations were unlikely to begin in earnest until 1988. This would give the EC and the Cairns Group time to present proposals in Geneva, he said. The EC and Canada have said they will offer proposals perhaps as early as October.

Forestry report sparks row

BY DAVID BLACKWELL

THE NATURE Conservancy Council is proposing a ban on further forestry or other land use across the peatlands of Caithness and Sutherland.

But the proposal came under immediate attack from both the Highland and Islands Development Board and the Highland Regional Council.

The Nature Conservancy Council describes the area, covering about 1m acres, as the largest single expanse of blanket bog in the world, and of major importance because of its global scarcity. In a report entitled Birds, Bogs and Forestry, it expresses concern that "forestry interests regard all plantable land outside specially protected areas as potentially available for afforestation."

The conservation case is that the losses of habitat and birds already sustained on the Scottish peatlands are already so heavy that any further afforestation is unjustifiable.

"Decisions to promote measures are needed promptly if the losses already mistained are not to increase," says the report.

The Highlands and Islands Development Board said a ban on forestry and other land uses would kill prospects for up to 2,000 local jobs and jeopardise the future of whole communities.

"This report and proposals—drawn up without consultation or regard for the delicate economic and social fabric of the northern highlands, and based on narrowly focused scientific research—is the most swingeing act of excessive zeal yet seen from the NCC in the Highlands and Islands," said Mr Robert Cowan, chairman of the development board.

The Regional Council said that not only would there be no trees—there would be no jobs and no people.

Cocoa support 'could be frozen'

INTERNATIONAL COCOA Agreement buffer stock operations could be frozen indefinitely unless producers and consumers agree on a price revision at their next meeting in September, according to commodity pact experts at the seventh UN Conference on Trade and Development meeting, Reuter reports from Geneva.

If this happens, the pact would lose its price stabilisation function an dthe future of one of the two remaining UNCTAD commodity pacts capable of defending prices could be in doubt, the ysaid.

In Bonn, Mr Peter Baron, consumer spokesman for the International Cocoa Organisation and West German delegate said: "Chances that the cocoa council will be able to agree a new price range at the annual price review in September are negligible."

The cocoa agreement and the International Natural Rubber Agreement (INRA) are the only commodity agreements with the power to try to stabilise prices which have survived since UNCTAD launched its ambitious price support programme for commodities in 1976.

Chemical industries may increase sugar usage

BY DAVID BLACKWELL

THERE ARE SIGNS that chemical industries are interested in increasing their utilisation of sugar, according to the latest monthly sugar review by Czarnikow, the London sugar trader.

But although hopes are high that the chemical industry will eventually take a few hundred thousand tonnes of sugar a year, it may take longer than originally expected for this to materialise, the review warns. It takes time for the initial experiments to be completed and new machinery and plant to be installed.

Recent EC statistics have shown that overall sugar consumption is rising slowly. This year, including 250,000 tonnes of finished goods exports, consumption is forecast at 11.02m tonnes.

Czarnikow expects the EC to produce a surplus of 5.18m tonnes in the coming year, of which about 3m tonnes will be exported with subsidies. It would be realistic to assume, says the review, that about half the remaining 2.2m tonnes will be set aside.

However, decisions about the excess will not be taken for another six months and the outcome will depend on producers' views on the development of the market.

Production from sugar beet is put at 18.1m tonnes, compared with 13.8m tonnes last year. The total availability of sugar is expected to be 16.2m tonnes, including $20,000 tonnes of cane sugar, 1.5m tonnes of imported sugar, and 1.3m tonnes of sugar brought forward from 1986-87.

Trading in London sets record

By Our Commodities Staff

THE INTERNATIONAL Commodities Clearing House, which is used by futures exchanges throughout the world, cleared a record 312,325 lots on Tuesday—the first time it has handled more than 300,000 lots in one day.

The UK exchanges—Liffe, London Fox, the LME and ISE (Stock Exchange Options)—had 210,954 contracts cleared, with Liffe taking the lion's share at 99,618.

ICCH, operating from nine international offices, is responsible for clearing more than 80 futures and options contracts. Among its other clients are the Sydney, New Zealand and Hong Kong futures exchanges.

Bright start to NZ wool sales

BY DAI HAYWARD IN WELLINGTON

THE NEW ZEALAND wool industry's high hopes for the 1987-88 selling season were not disapointed at the opening Wellington sale yesterday. At 579 cents a kg the market indicator price was down only 3 cents from the end of last season and well above the record average of 560 cents achieved in 1986-87.

Expectations that the new season would display the same buoyancy which characterised closing months of last season had been encouraged by trends in the international clothing and carpet industries. These promised a continuation of strong demand for both the coarse and merino wools produced in New Zealand. At the same time traders pointed out that availability of New Zealand wool would be lower and that the country's stockpile had been virtually eliminated. They also expected cross-bred wool to be in short supply at the sales until much later in the season.

Underpinning these factors was the New Zealand Wool Board's determination to maintain what it considered to be fair market prices and its readiness to buy up if prices start to sag.

Last season's average compared with 462 cents for the previous season. Prices picked up strongly in the final months of the season, peaking at 618 cents in April.

By the close of the season in June the Wool Board's stockpile had shrunk to 31,000 bales from an opening level of 122,000. During the year the board sold 194,000 bales, indicating that it bought and resold almost 100,000 bales as part of its intervention support policy. All of its stockpile sales showed profits.

The country's clip will be down this season, by as much as 3 per cent according to some forecasts. In the season just closed New Zealand produced about 358m kg but the Wool Board is estimating a clip of around 350m kg for 1987-88. The final figure will not be known for some months, however. The task of estimating the clip is being complicated by the changing production pattern, with many farmers now shearing twice a year. This practice improves wool quality and could help to lift auction values.

The Wool Exporters' Council had predicted that the new season sales would open on a strong note — partly because of falling production in New Zealand and Eastern Europe and partly because of increase demand from the world's mills caused by new fashion trends. The swing towards fine worsted garments during the past year was expected to boost both demand and the sale price for New Zealand's merino wools.

There will be very little merino wool available, however, until the big South Island high country sheep stations send their clip to the first South Island sale in August.

New Zealand's producers are confident that the improved quality of their coarse and cross-bred wools will enable dealers to capitalise on the strong international demand for good quality carpet wool.

Demand for carpet wool eased in some western countries during the past year but this was more than compensated for by increased demand elsewhere.

All involved in the NZ wool industry—the Wool Board, exporters, brokers and the Ministry of Agriculture—have been stressing the need for better quality wool from the farms, and their exhortations have had a considerable effect.

Last year's major customer for New Zealand wool was China. Next came the UK, the Soviet Union and Japan.

All of these customers are again expected to be prominent at the auctions.

A continuing concern for the industry, however, will be the value of the New Zealand dollar, which has remained consistently firm against the US dollar and risen against other currencies.

Last year some exporters delayed their sales, gambling on a fall in the value of the dollar. This cost them dear and few will be prepared to take the same risk this season. At yesterday's sale prices were again held back by firmness in the NZ dollar.

For the first sale of the season, which was a little earlier than usual, only 19,900 bales were available. For the August sales 100,000 bales is scheduled and another 120,000 is to be offered at the September and October auctions.

Top prices rose by up to 10 pence a kg at this week's Bradford British wool auction, reports Reuter.

Finer merinos were also quoted a little dearer again, with Australia expected to push the market higher next week. Sterling's weakness has also had a slight overall firming effect.

But new business was limited with holidays affecting trade.

LONDON MARKETS

A FRESH wave of selling hit the London Sugar futures market yesterday, pushing nearby values to the lowest levels for 5½ months. As liquidation of long speculative positions triggered the operation of stop-loss selling orders the October futures price dipped $5.60 to close at $134.50 a tonne. Traders said the fall, which was encouraged, they said, by news that C. Czarnikow the London trader, had forecast a possible 5.2m tonnes EC production surplus for the 1987-1988 season in its latest market report, underlined how vulnerable the market had become to bearish influences. And they did not rule out further falls. Meanwhile coffee futures prices recovered some of their recent losses as the market was buoyed by a firmer tone in New York. The September position ended £19.50 higher at £1,243.50 a tonne as speculators covered against earlier short sales. On the London Metal Exchange copper prices edged higher following Wednesday's strong rally and concern over the tight nearby supply situation resulted in a further widening of the cash premium over three months.

LME prices supplied by Amalgamated Metal Trading.

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GOLD

GOLD AND PLATINUM COINS

MEAT

INDICES

REUTERS

July 23	July 22	M'th ago	Year ago
1684.8	1687.6	1614.0	1447.3

(Base: September 18 1931=100)

DOW JONES

(Base: December 31 1931=100)

MAIN PRICE CHANGES

SILVER

COFFEE

COCOA

FREIGHT FUTURES

GRAINS

POTATOES

GAS OIL FUTURES

OIL

SOYABEAN MEAL

RUBBER

SUGAR

US MARKETS

RUMOURS of peaceful overtures from Iran caused good local selling and profit-taking to ease crude oil prices, reports Drexel Burnham Lambert. The precious metals were dominated by local selling in lacklustre activity as a late comeback in the dollar eased the metals across the board. Copper was steady in very light local trading. Early heavy trade selling in sugar touched off commission house stops, prompting good fund selling, but the trade and local short-covering supported the market late in the session. Good trade buying firmed the coffee market in a quiet session. Cocoa was steady on light trade buying and commission house selling. Cotton rose slightly in a session dominated by local action. The grains were quiet across the board with very thin trading in featureless conditions. In the meats cattle futures continued to be eroded on lacklustre retail demand. Both the hogs and pork bellies were steady as traders awaited fresh incentives.

NEW YORK

CHICAGO

Factory trawler for Falklands

THE NUMBER of gold, silver company has linked with Witte Boyd, a Hull fish-processing and shipping company, in a £14m deal to buy and refit a deep-sea factory trawler.

In addition to the 100 construction workers and engineers needed for the refit, the ship will carry a crew of 42. All the positions, it is hoped, will be recruited from the UK.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls as pound recovers

THE DOLLAR suffered a technical reversal yesterday, and was also weak on a rumour that today's US Gross National Product data will show weak growth.

Part of the dollar's fall could be attributed to its recent failure to break through resistance against the D-Mark at DM 1.8650, while dealers in Tokyo appeared to consider Y153 as the present ceiling against the Japanese yen.

This set off a wave of selling, as the market looked to a possible lower trading range for the dollar, and suspected that the GNP figures might provide the reason.

Recent forecasts have centred on second-quarter GNP growth of about 2 per cent, well down on the first quarter of 4.8 per cent, but on Wednesday a rumour circulated that the figure would be as low as 0.5 per cent.

Yesterday's June US durable goods orders were better than expected, rising 1.4 per cent, against forecasts of a small fall, but dealers noted that highly volatile defence capital goods rose sharply, while the more reliable non-defence category fell 3 per cent. The net impact on the dollar was very small.

News that the convoy of tankers and US warships moved into the *Gulf without incident, lent support to the yen, as fears of disruption to oil supplies faded.*

The dollar fell quite *sharply* to Y150.75 from Y152.30. It also weakened to DM 1.8545 from DM 1.8630; to FFr 6.1725 from FFr 1.1975; and to SFr 1.5365 from SFr 1.5450.

On Bank of England figures the dollar's index fell to 103.7 from 104.0.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index rose 0.1 to 72.7, compared with 68.9 six months ago.

Sterling improved against a weaker dollar and also gained ground against other major currencies, apart from the yen. Wednesday's UK trade figures remained a talking point, but the market appeared prepared to accept that large swings in the trade balance are not unusual, and that high oil prices should prevent any sharp slide by the pound.

Stockbrokers, James Capel, pointed out that a major deterioration in the current account has been widely forecast for the second half of the year.

Sterling gained 1 cent to $1.6040-1.6050. The pound also climbed to DM 2.9750 from DM 2.97; to FFr 9.9050 from FFr 9.8825; and to SFr 2.4650 from SFr 2.4625, but fell to *Y241.75 from Y242.75.*

D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7690. June average 1.8188. Exchange rate index 146.4 against 148.6 six months ago.

Trading was quiet in Frankfurt, with the D-Mark slightly firmer against the dollar. Attention focused on today's US GNP figures, *following a forecast* that growth will be much lower than market estimates of around 2 per cent. There were no domestic events to move the market, and little reaction to higher than forecast June US durable goods orders. The dollar closed in Frankfurt at DM 1.8565, compared with DM 1.8615 on Wednesday. Earlier in the day the Bundesbank did not intervene at the fixing, when the dollar fell to DM 1.8567 from DM 1.8601.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 213.1 against 210.1 six months ago.

The yen strengthened against the dollar in Tokyo, but trading was quiet with dealers waiting for today's US GNP data. The successful passage of the US protected *tanker convoy into the Gulf gave* some support to the yen, as oil supply worries tended to ease.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0474	+1.39	+0.78	±1.5344
Danish Krone	7.85212	7.87829	+0.33	−0.28	±1.6404
German D-Mark	2.05853	2.07665	+0.88	+0.27	±1.0981
French Franc	6.90403	6.91174	+0.11	−0.50	±1.3674
Dutch Guilder	2.31943	2.33827	+0.81	+0.20	±1.5012
Irish Punt	0.768411	0.775019	+0.86	+0.25	±1.6684
Italian Lira	1483.58	1502.37	+1.27	+1.20	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 23	Latest	Previous Close
£ Spot	1.6015-1.6025	1.5965-1.5975
1 month	0.32-0.31 pm	0.33-0.32 pm
3 months	0.85-0.82 pm	0.98-0.96 pm
12 months	2.67-2.57 pm	3.40-3.30 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 23	Previous
8.30 am	72.7	72.9
9.00 am	72.7	72.9
10.00 am	72.7	72.9
11.00 am	72.7	72.9
Noon	72.7	72.5
1.00 pm	72.7	72.5
2.00 pm	72.7	72.6
3.00 pm	72.7	72.6
4.00 pm	72.7	72.6

POUND SPOT—FORWARD AGAINST THE POUND

July 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5975-1.6050	1.6040-1.6050	0.30-0.27c pm	2.13	0.95-0.90 pm	2.31
Canada	2.1123-2.1333	2.1300-2.1310	0.08-0.01c dis	0.20	0.25-0.12 pm	0.35
Netherlands	3.34-3.35¼	3.34¼-3.35¼	1½-1⅛c pm	3.58	3⅞-3⅝ pm	3.80
Belgium	61.53-61.75	61.65-61.75	18-11c pm	2.82	47-36 pm	2.69
Denmark	11.25¾-11.30	11.27-11.28	⅝-¼ ore pm	0.47	2⅛-3 dis	−0.53
Ireland	1.1086-1.1111	1.1095-1.1105	0.01-0.07p dis	−0.32	0.05pm-0.21 dis	−0.32
W. Germany	2.96¾-2.98	2.97-2.98	1¼-1⅛ pfg pm	5.04	4⅛-3¾ pm	5.29
Portugal	231.74-232.97	232.00-232.90	85-142c dis	−5.86	310-392 dis	−6.04
Spain	203.45-204.29	203.55-203.65	154-227c dis	−11.22	398-489 dis	−8.71
Italy	2147½-2156½	2152½-2153½	par-5 lire dis	−1.39	4-11 dis	−1.39
Norway	10.83¼-10.89	10.86½-10.87½	4¼-5 ore dis	−5.11	12½-13¼ dis	−4.74
France	9.87¾-9.91	9.90-9.91	1¼-⅞c pm	1.36	3⅛-2⅝ pm	1.26
Sweden	10.32¾-10.37	10.35¾-10.36¾	⅛-par ore pm	0.22	⅛pm-⅛ dis	0.07
Japan	241¼-242½	241¼-242¼	1½-1 y pm	5.58	3⅛-3 pm	5.27
Austria	20.88-20.95	20.88-20.91	8¼-7⅛ gro pm	4.70	26¼-24¼ pm	4.87
Switzerland	2.46-2.47	2.46-2.47	1¼-1 c pm	5.48	3½-3¼ pm	5.48

Belgian rate is for convertible francs. Financial franc 61.90-62.00. Six-month forward dollar 1.82-1.77 c pm, 12-month 3.18-3.08c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5975-1.6050	1.6040-1.6050	0.30-0.27c pm	2.13	0.95-0.90 pm	2.31
Ireland†	1.4410-1.4451	1.4440-1.4450	0.30-0.25c pm	2.29	0.99-0.87 pm	2.58
Canada	1.3213-1.3295	1.3285-1.3295	0.21-0.24c dis	−2.04	0.63-0.66 dis	−1.95
Netherlands	2.0855-2.0925	2.0885-2.0895	0.28-0.25c pm	1.52	0.86-0.82 pm	1.61
Belgium	38.40-38.55	38.40-38.50	3pm par	0.47	6-1 pm	0.36
Denmark	7.02¼-7.05¼	7.02½-7.03	1.10-1.80ore dis	−2.47	4.90-5.60 dis	−2.98
W. Germany	1.8500-1.8685	1.8540-1.8550	0.47-0.43pf pm	2.91	1.42-1.37pm	3.01
Portugal	144¼-145¼	144¼-145¼	80-115c dis	−8.07	280-330 dis	−8.41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.55-38.65

CURRENCY MOVEMENTS

July 23	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.7	−20.9
U.S. Dollar	103.7	−3.7
Canadian Dollar	78.6	−10.2
Austrian Schilling	137.2	+10.1
Belgian Franc	99.7	−4.6
Danish Krone	91.8	+2.3
Deutsche Mark	146.4	+21.3
Swiss Franc	172.2	+22.5
Guilder	134.5	+14.1
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	213.1	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts improve with sterling

LONG TERM gilt futures recovered from another period of weakness to close higher on the day on the London International Financial Futures Exchange.

The market appeared oversold after the fall of over two points on publication of Wednesday's UK trade figures. September gilts opened stronger at 121-09, encouraged by a recovery in sterling.

A rise of 1.7 per cent in second quarter UK consumer spending was below market forecasts and provided support, giving some relief to fears the economy is overheating. This week some figures on bank lending, retail sales and trade have led to suggestions that the British are borrowing heavily and spending the money on foreign goods.

The contact rose in the afternoon, with the cash market, boosted by the pounds rise of 1 per cent against the dollar. It touched a peak of 121-14 and closed at 121.08, compared with 120-28 on Wednesday.

US Treasury bond futures weakened on concern about the high level of US Government paper likely to hit the market in the next few weeks. Apart from the quarterly refunding auctions in early August traders were concerned about the postponement of US Treasury bill and note auctions.

September US bonds opened at 90-05, and touched a low of 89-29 on news of a sharp 1.4 per cent rise in June US durable goods orders, but recovered, supported by rumours of very low second quarter GNP growth, to close at 90-02, compared with 90-15 previously.

Rumours of an imminent rise in the Japanese long term prime rate to 5.2 per cent from 4.9 percent continued to dominate sentiment in Japanese Government bond futures, with dealers in Tokyo suggesting that a rise of only 0.3 per cent in the long term prime rate might not be enough to satisfy bank demands for higher rates.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	5.21	6.02	0.05	0.58
118	3.31	4.38	0.15	1.30
120	1.58	3.25	0.42	2.17
122	0.54	2.25	1.38	3.17
124	0.18	1.42	3.02	4.34
126	0.05	1.07	4.53	5.63
128	0.01	0.45	6.49	7.37
130	0.00	0.27	8.48	9.39

Estimated volume total, Calls 2,566 Puts 2,726
Previous day's open int: Calls 29,886 Puts 21,075

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	6.08	5.56	0.04	0.52
86	4.19	4.28	0.15	1.24
88	2.46	3.15	0.42	2.11
90	1.19	2.16	1.15	3.12
92	0.28	1.20	2.24	4.16
94	0.08	0.51	4.04	5.47
96	0.02	0.30	5.62	7.26
98	0.00	0.16	7.60	9.12

Estimated volume total, Calls 10 Puts 40
Previous day's open int: Calls 2,036 Puts 2,281

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
22750	10.50	11.57	0.00	1.07
23000	8.00	9.60	0.00	1.60
23250	5.50	7.82	0.00	2.32
23500	3.00	6.23	0.00	3.23
23750	0.75	4.85	0.25	4.35
24000	0.02	3.69	2.02	5.69
24250	0.00	2.74	4.50	7.24
24500	0.00	1.98	7.00	8.98

Estimated volume total, Calls 89 Puts 67
Previous day's open int: Calls 297 Puts 109

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

20-YEAR 12% NOTIONAL GILT

U.S. TREASURY BONDS (CBT) 8%

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND

THREE-MONTH STERLING

U.S. TREASURY BILLS (IMM)

THREE-MONTH EURODOLLAR (IMM)

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

FT-SE 100 INDEX

THREE-MONTH EURODOLLAR

U.S. TREASURY BONDS 8%

CURRENCY FUTURES

MONEY MARKETS

UK rates easier

WORSE THAN expected UK trade figures, announced Wednesday, continued to dominate the London money market yesterday, but interest rates, after moving higher on the trade news eased back yesterday.

Speculation that the next move in bank base rates is likely to be up kept the market nervous, but three-month interbank eased to 9⅛-9 per cent, from 9¼-9⅛ per cent, as any immediate pressure for a rise in rates faded.

Discount houses, which until recently have preferred to hold on to longer dated band 4 bills, in the hope that the next move in base rates would be down, were keen sellers. The houses took quick advantage of the upward revision in the Bank of England's market forecast at noon, to a shortage of £650m from an initial £400m, to sell as much long paper as possible. The authorities provided total help on the day of £678m.

UK clearing bank base lending rate 9 per cent since May 8

Before lunch the Bank of England bought £619m bills outright, by way of £154m Treasury bills in band 4 at 8⅞ per cent; £19m local authority bills in band 4 at 8⅞ per cent; and £446m bank bills in band 4 at 8⅞ per cent.

In the afternoon another £59m bills were purchased, through £10m bank bills in band 3 at 8¾ per cent and £49m bank bills in band 4 at 8¾ per cent.

For the second day running the shortage included payments to the Bank of England of funds arising from applications for shares in the British Airports Authority, and this was handled through normal bill operations.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £200m, with Exchequer transactions absorbing £140m; a rise in the note circulation £50m; and bank balances below target £15m.

In Frankfurt call money eased to 3.73 per cent from 3.80 per cent following Wednesday's injection of a net DM 4.7bn to the money market at the Bundesbank's securities repurchase agreement tender.

The extra funds are likely to be required to offset money flowing out of the banking system next Wednesday, when about DM 50bn disbursed from state-owned banks is returned to the authorities for pension payments.

In expectation of the rise in the Bundesbank's rate at the tender to 3.60 per cent from 3.55 per cent, banks tended to build up liquidity early in the week, and including the disbursed state funds are believed to be comfortably placed to meet their monthly required average daily holdings with the Bundesbank. This could lead to another slight easing of call money today.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

$WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 22, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.11819 SDR1=$US1.26384
As of July 22, at 11.00 a.m.

n.a. Not available. (es) Market rate. *U.S. dollars per National Currency unit. (a) Parallel Rate. (o) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. (k) Agricultural products. (l) Priority Rate. (m) Essential imports. (p) Exports. (1) Guinea Bissau, 4 May 87: Peso devalued by approx. 41%. (2) Zambia, 5 May 87: Kwacha pegged to the Dollar. (3) Egypt, 12 May 87: Partial flotation of the Pound announced. (4) Uganda, 18 May 87: New Shilling introduced, equal to 100 Old Shillings. (5) Brazil, 16 June 87: Cruzado devalued by approx. 8.67%. (6) Fiji, 29 June 87: Dollar devalued by approx. 17.75%. (7) Madagascar, 29 June 87: Franc devalued by approx. 36%.
For further information please contact your local branch of the Bank of America.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 23 1987					WEDNESDAY JULY 22 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	148.28	+1.2	137.01	139.01	2.85	146.51	136.23	137.25	148.28	99.92	72.31
Austria (16)	98.63	−2.0	91.13	94.91	2.17	100.67	93.61	97.35	101.62	85.53	87.07
Belgium (48)	126.35	+0.6	116.75	120.28	3.98	125.60	116.79	119.56	126.72	96.19	81.58
Canada (132)	135.76	−0.4	125.45	130.65	2.15	136.33	126.77	130.36	138.59	100.00	94.89
Denmark (39)	113.15	+0.6	104.55	108.15	2.55	112.44	104.55	108.05	124.10	98.18	92.84
France (121)	106.90	+1.1	98.78	103.51	2.72	105.69	98.28	102.75	121.82	98.39	88.62
West Germany (92)	97.56	−0.5	90.15	94.06	2.00	98.02	91.14	94.94	100.33	84.00	80.86
Hong Kong (45)	134.93	−0.3	124.68	135.26	2.67	135.30	125.80	135.63	135.36	96.89	73.22
Ireland (14)	137.31	−1.6	126.88	133.94	3.33	139.61	129.81	136.80	145.41	99.50	92.12
Italy (76)	96.31	−1.3	88.99	96.53	1.87	97.56	90.71	98.07	112.11	93.47	88.77
Japan (458)	127.40	+2.8	117.72	121.40	0.55	123.93	115.23	119.31	161.28	100.00	91.50
Malaysia (36)	182.55	−1.1	168.68	179.27	2.09	184.55	171.59	181.26	186.58	98.24	77.02
Mexico (14)	309.04	+3.6	285.56	470.01	0.63	298.21	277.28	454.51	309.04	99.72	55.33
Netherland (38)	126.70	+0.0	117.08	120.81	3.64	126.71	117.81	121.30	127.97	99.65	89.39
New Zealand (26)	109.97	+0.5	101.62	95.93	3.00	109.38	101.70	95.20	109.97	83.93	72.73
Norway (24)	151.92	+1.3	140.37	139.70	1.94	149.96	139.44	138.36	152.14	100.00	92.38
Singapore (27)	162.32	−0.8	149.98	158.32	1.57	163.66	152.18	159.63	163.97	99.29	75.94
South Africa (61)	184.62	+3.3	170.59	133.43	3.01	178.67	166.13	132.42	186.74	100.00	72.93
Spain (43)	128.88	+0.6	119.09	123.95	3.24	128.07	119.08	123.70	128.90	100.00	83.07
Sweden (33)	118.67	+1.0	109.66	113.40	2.03	117.50	109.25	112.71	124.68	90.85	90.23
Switzerland (53)	103.28	+0.6	95.44	98.38	1.68	102.65	95.45	98.33	104.06	92.01	80.47
United Kingdom (336)	153.46	+0.3	141.80	141.80	3.05	152.96	142.22	142.22	162.87	99.65	99.94
USA (591)	125.42	−0.4	115.89	125.42	2.89	125.88	117.04	125.88	128.24	100.00	99.59
Europe (933)	124.39	+0.2	114.94	117.85	2.75	124.19	115.48	118.26	128.35	99.78	88.29
Pacific Basin (686)	128.45	+2.6	118.69	122.45	0.73	125.18	116.40	120.45	158.77	100.00	90.14
Euro—Pacific (1619)	126.88	+1.6	117.24	120.62	1.52	124.84	116.08	119.60	143.65	100.00	89.41
North America (723)	125.98	−0.4	116.41	125.74	2.85	126.44	117.57	126.15	128.80	100.00	99.34
Europe Ex. UK (597)	106.35	+0.0	98.27	102.88	2.47	106.34	98.88	103.29	107.75	98.02	84.49
Pacific Ex. Japan (228)	141.30	+0.5	130.56	135.02	2.71	140.60	130.73	134.28	141.30	99.92	73.11
World Ex. US (1826)	127.93	+1.6	118.21	121.38	1.57	125.94	117.10	120.37	143.38	100.00	89.39
World Ex. UK (2081)	124.32	+0.9	114.88	121.13	1.96	123.23	114.58	120.58	133.61	100.00	93.33
World Ex. So. Af. (2356)	126.54	+0.8	116.93	122.92	2.07	125.53	116.72	122.47	135.02	100.00	93.49
World Ex. Japan (1959)	126.71	−0.1	117.08	123.81	2.81	126.83	117.93	124.15	129.24	100.00	94.26
The World Index (2417)	126.91	+0.8	117.27	123.04	2.07	125.87	117.04	122.58	135.15	100.00	93.37

Base values: Dec 31, 1986 = 100

Corrected indices for July 20: United Kingdom, Europe, Europe-Pacific and World Ex Japan.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Aug 87		Nov 87		Feb 88		
GOLD C	$460	274	7.30	6	22.50	—	—	$454.40
GOLD C	$480	35	3.90	375	14	1	24	"
GOLD C	$500	60	1.80	5	9.80	1	16	"
GOLD P	$420	6	1	15	4.50	—	—	"
GOLD P	$440	40	2.30B	35	8.20	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$600	—	—	25	200	—	—	$774
SILVER C	$750	10	80	—	—	2	160	"
SILVER C	$850	—	—	11	75	—	—	
		Aug 87		Sep 87		Oct 87		
£/FL C	Fl.340	—	—	470	1.50	—	—	Fl.335.13
£/FL C	Fl.345	—	—	75	0.50	—	—	"
		Aug 87		Sep 87		Oct 87		
$/FL C	Fl.200	—	—	15	8.80	—	—	Fl.209.13
$/FL C	Fl.210	73	1.70B	20	2.50	10	3.10	"
$/FL C	Fl.215	—	—	183	1.20	—	—	"
$/FL C	Fl.220	—	—	300	0.40	—	—	"
$/FL C	Fl.230	—	—	60	0.30	—	—	"
$/FL P	Fl.200	—	—	—	—	3	1.40	"
$/FL P	Fl.205	68	0.90	14	2	—	—	"
$/FL P	Fl.210	—	2.90	7	4	5	5.20	"
		Dec 87		Mar 88		Jun 88		
$/FL C	Fl.200	25	9.50	4	10	—	—	Fl.209.13
$/FL C	Fl.205	10	6.70	8	8	—	—	"
$/FL C	Fl.210	10	4.80	—	—	2	6.70	"
$/FL C	Fl.220	3	1.90	—	—	—	—	"
$/FL C	Fl.230	45	0.70	—	—	—	—	"
$/FL P	Fl.195	32	1.50	—	—	4	4.60	"
$/FL P	Fl.200	21	2.80B	9	4.70	5	6.30	"
$/FL P	Fl.205	50	4.50B	—	—	—	—	"
$/FL P	Fl.210	10	6.80	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.520	207	9	10	16.50	4	21	Fl.492
ABN P	Fl.460	32	4.10	85	9.50	10	12.50	"
AEGON C	Fl.100	136	3	16	5	1	7.80	Fl.96.40
AEGON P	Fl.95	27	3.80	—	—	5	5.30	"
AHOLD P	Fl.105	204	4.20	41	5.30	—	—	Fl.106.80
AHOLD C	Fl.109.10	10	4.50B	—	—	—	—	"
AKZO C	Fl.170	846	7.70	361	11.80	17	14.50	Fl.165
AKZO P	Fl.160	303	5	109	7.60	10	9	"
AMEV C	Fl.65	121	4	2	5.90B	—	—	Fl.65.60
AMEV P	Fl.65	42	2.60	7	4	—	—	"
AMRO C	Fl.85	310	3	31	5.30	10	7	Fl.82.70
AMRO P	Fl.80	398	2.70	31	4.30	—	—	"
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELSEVIER C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELSEVIER P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GIST-BROC. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GIST-BROC. P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEINEKEN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEINEKEN P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOOGOVENS C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOOGOVENS P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT.NED. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT.NED. P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHILIPS C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHILIPS P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL DUTCH C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL DUTCH P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNILEVER C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNILEVER P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 39,453

A=Ask B=Bid C=Call P=Put

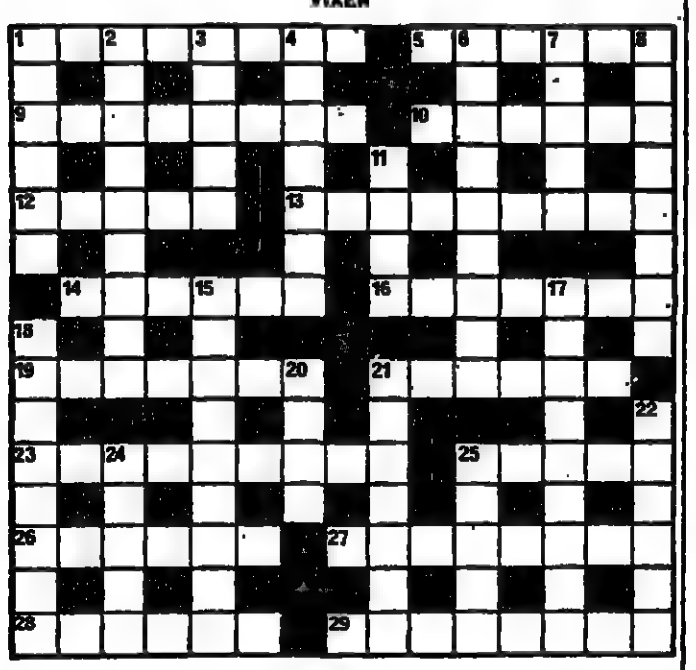
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk.	9	Consolidated Cred.	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'l Tst.C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

CROSSWORD PUZZLE No. 6,386

VIXEN



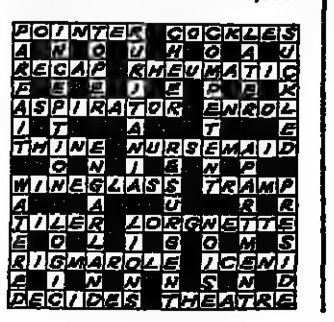
ACROSS

1 A scene depicted in water-colours (8)
5 Going up a track (6)
9 Deeply impressed, and serious in consequence (8)
10 Wear a beard to look different (6)
12 An axiom for the present time (5)
13 The only one in a suit wearing a vest (9)
14 Everybody in unsatisfactory environs should make a song (6)
16 Page about to shave and get ready (7)
19 He demands recompense when a few turn green (7)
21 Ask searching questions about a set of books in a store (6)
23 Game like this settled by the river (9)
25 A holy man in church sect (5)
26 Being numb, unfortunately drop it (6)
27 From beginning to end (8)
28 Spring issue (6)
29 Prison with a flap on in Washington (8)

DOWN

1 Understand 12 across can divert youngsters (6)
2 Garage repair—VAT included, to make things worse! (9)
3 The holder, given credit, scoffed (5)
4 Forced to write newspaper leader (7)
6 Officer reversing vehicle to change direction (9)
7 Not now in play? That's right (5)
8 Great mountains these, and rocky (3, 5)
11 Break for a game (4)
15 "Sublime on the towers of my skiey bowers ——— my pilot sits." Shelley (The Cloud) (9)
17 Unusual police function (9)
18 Recording test-case wrongly brought (8)
20 Sally's right to help (4)
21 Coppers stay to take control (7)
22 A girl needs an age to get on this (6)
24 In general Argentinian cattle-ranches are quite extensive (5)
25 Top many others (5)

Solution to Puzzle No. 6,385



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS — 01-280 2060

American Growth	112.7	118.2	-0.1	0.71
(Accum Units)	117.0	123.8	-0.1	0.71
British Blue Chip Fund	51.7	54.7	-1.1	2.15
(Accum Units)	51.7	54.7	-1.1	2.15
American Sm Cos Fd	53.5	56.6	-0.1	0.44
(Accum Units)	53.5	56.6	-0.1	0.44
American (Atomic)	51.8	54.8	-0.2	3.66
(Accum Units)	56.6	59.8	-0.2	3.66
European Growth	149.5	158.2	+0.4	2.71
(Accum Units)	154.7	168.7	+0.4	2.71
European Income	82.5	87.3xd	+0.0	3.49
(Accum Units)	86.5	91.5xd	+0.0	3.49
General	382.5	404.7	-8.9	2.42
(Accum Units)	635.2	672.1	-14.8	2.42
Gilt	88.2	88.6	-0.6	7.52
(Accum Units)	104.9	105.4	-0.6	7.52
Global Fund	50.3	53.2	+0.2	0.68
(Accum Units)	50.3	53.2	+0.2	0.68
High Interest Fund	47.3	50.0xd	-0.5	8.91
(Accum Units)	47.7	50.4xd	-0.5	8.91
High Income Fund	53.9	57.0xd	-0.9	4.32
(Accum Units)	54.8	57.9xd	-0.9	4.32
Income	129.2	136.7	-0.9	2.92
(Accum Units)	148.1	156.7	-1.0	2.92
International	293.2	310.2xd	+2.5	1.10
(Accum Units)	366.8	388.1xd	+3.1	1.10
Japan	188.6	199.5	+5.6	0.55
(Accum Units)	193.5	204.7	+5.7	0.55
Pacific Fd	57.8	61.1xd	-0.2	0.30
(Accum Units)	57.8	61.1xd	-0.2	0.30
Recovery	320.1	338.7	-4.6	1.54
(Accum Units)	348.0	368.2	-5.1	1.54
UK Smaller Co's Fd	55.7	58.9	-0.2	1.70
(Accum Units)	55.7	58.9	-0.2	1.70
Exempt	369.9	379.3	-2.1	2.21
(Accum Units)	579.3	594.1	-3.4	2.21

Merlin Fund Mngmnt Ltd
33 King William St, London EC4R 9AS — 01-638 5678

Merlin July 22	646.0	654.0	-2.0	1.06

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ — 0707 45184

UK Income Fund	64.9	69.0	-0.6	4.35
Accum Units	64.9	69.0	-0.6	4.35
UK Growth Fund Acc	64.1	68.1	-0.9	1.47
Global Income Fund	49.0	52.1	-0.3	3.84

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377
Holborn LinkLine 0800 010545

Holborn Comm Tst	80.6	85.2xd	-1.3	0.35
Holborn Equity Income	75.1	79.4	-1.4	3.24
Holborn Equity Tst	604.8	639.9	-12.4	2.11
Holborn European Tst	119.5	126.4	-0.2	0.66
Holborn Gilt Tst	212.3	222.4	-2.6	2.15
Holborn High Inc Tst	91.4	96.7xd	-1.1	4.46
Holborn Intl Grth Tst	119.1	126.0xd	-0.6	.69
Holborn Japanese Tst	117.4	129.8	+2.4	0.05
Holborn N. Amer. Tst	95.7	101.2	-0.4	0.48
Holborn Sm Cos Tst	81.9	86.6	-0.7	1.34
Holborn Spec Sits Tst	106.0	112.1xd	-2.0	1.38
Holborn UK Growth Tst	120.3	127.3	-2.3	1.42

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd	705.8	746.9	—	1.51
Quadrant Income	350.5	371.0xd	—	3.88
Quadrant Intl. Fund	457.0	488.7	—	1.05
Quadrant Spec. Sits	497.3	526.3	—	1.25

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent — 0892 510033

British Life	253.3	269.4	—	2.14
Reliance Unit Tst (Inc)	178.3	189.6	—	1.70
Reliance Ut Tst (Acc)	239.9	255.1	—	1.70

Rossbury Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool — 051-227 2030

Internat. Growth Trust	49.4	52.5	-0.2	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 — 01-634 2981/4

NC America (Inc)	326.0	346.8xd	-2.3	0.78
NC America (Acc)	359.7	382.4	-2.6	0.78
NC Inc Fd	129.1	137.3	-3.1	2.74
NC Japan Fd	187.0	198.9	-2.1	—
NC Major UK Cos Fd	72.5	77.1xd	-0.6	1.56
NC Smlr Australasian	91.1	96.9	+0.2	0.46
NC Smllr Canadian CoFd	49.4	52.5	-0.1	0.93
NC Smaller Cos	249.4	265.3	-4.0	0.87
NC Smaller European	194.2	206.5	-0.6	0.46
NC Prop.*	157.2	171.4	—	6.0

*Unauthorised Unit Trust

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ

Managed Trust Acc	31.6
UK Equity Gth Tst Acc	37.6
UK Equity High Inc Inc	37.1
UK Equity Gen Tst Acc	39.0
UK Equity Gen Tst Inc	35.2
Gilt & Fxd Int Tst Inc	26.6
Nrth Amer Tst Acc	30.0
Far East Trust Acc	37.6
European Trust Acc	28.9

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh

American Fund	241.8
(Accum. Units)	273.2
(Withdrawal Units)	161.7
American Exempt Jul 16	963.69
Australian Fund	200.9
(Accum. Units)	213.2
British Fund	973.8
(Accum. Units)	1347.7
European Fund	328.9
(Accum. Units)	346.5
Japan Fund	69.2
(Accum. Units)	69.9
Saints PPP (Jun 16)	222.1

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham

Equity Tst	570.8
North America	66.6
Far East	104.9
Worldwide Bond	48.6
Worldwide Financial	47.0
Worldwide Technology	47.2
European	57.6
Equity Income	77.2

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants

UK Income Fund	37.5
UK Growth Fund	36.2
Worldwide Growth Fd	25.7

Sun Life Trust Mngmt. Ltd

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

St George's Way, Stevenage 0438 356101

Managed	461.1	485.4		—
Property	280.4	295.2		—
Equity	601.4	633.0		—
Gilt Edged	369.6	389.0		—
Deposit	204.5	215.3		—
Investment	256.8	269.7		—
International	423.2	445.5	..	—
Pension Fund Prices				
Managed Int.		334.5	...	—
Do. Accum		409.8	...	—
Property Intl.		244.2	...	—
Do. Accum.		299.0	...	—
Equity Intl.		451.3	...	—
Do Accum.		551.8	...	—
Gilt-Edged Int.		235.6	...	—
Do. Accum.		288.5	...	—
Guaranteed Int.		158.0	...	—
Do. Accum.		193.6	...	—
International Intl.		503.8	...	—
Do. Accum.		616.5	...	—
Index Lk. Gilt Intl.		139.1	...	—
Do. Accum.		170.2	...	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	301.9	+0.0	—
Property Pens.	398.7	-0.1	—
Equity	307.1	-2.7	—
Equity Pens.	937.6	-16.4	—
Money Market	307.4	-5.2	—
Money Mkt. Pens.	551.6	-9.2	—
Deposit	236.9	+0.0	—
Deposit Pens.	377.2	+0.1	—
Managed	302.4	-2.4	—
Managed Pens.	585.1	-4.9	—
Intl. Equity	351.1	-1.2	—
Do. Pens.	567.8	-2.8	—
Intl. Managed	322.9	-1.7	—
Do. Pens.	479.3	-3.4	—
North American	133.2	+0.0	—
Do. Pens.	153.2	+0.1	—
Far East	287.1	-1.3	—
Do. Pens.	418.7	-1.7	—
Intnl. Currency	174.3	+0.1	—
Do. Pens.	227.6	+0.0	—
Index Linked	133.7	-0.1	—
[illegible]			

National Provident Inst.—Contd.

Far East Initial	469.5	494.5	+5.8	—
Far East	561.5	591.1	+7.0	—
Prop Initial	140.4	147.8		—
Prop	167.9	176.8		—
Fixed Int. Initial	187.4	197.2	-1.6	—
Fixed Int.	224.2	236.0	-1.9	—
Indexed Gilt Initial	104.1	109.6	-0.9	—
Indexed Gilt	123.4	129.9	-1.0	—
Deposit Initial	134.6	141.7	...	—
Deposit	162.7	171.3	...	—
NPI Pensions Management Ltd				
Managed Fund	952.2	969.3	...	—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	57.6	60.7	-0.4	—
Stock Market Mngd Fund	59.2	62.4	-0.5	—
Equity Fund	65.4	68.9	-1.2	—
International Fund	54.2	57.1	+0.2	—
European Fund	57.4	60.5	-0.1	—
North American Fund	51.0	53.7	...	—
Pacific Fund	60.9	64.2	+1.1	—
Property Fund	50.7	53.4	...	—
Fixed Interest Fund	49.7	52.4	-0.1	—
Index Linked Sec Fund	46.1	48.6	-0.3	—
Deposit Fund	50.8	53.5	...	—
NUAM Retirement Plans				
Mixed Fund	62.4	65.7	-0.7	—
UK Ordinary Share	76.3	80.4	-1.2	—
International Fund	55.7	58.7	-0.1	—
Property Fund	51.7	54.5	...	—
Fixed Interest Fund	51.3	54.1	-0.9	—
Index Linked Sec Fund	46.3	48.8	-0.1	—
Deposit Fund	52.8	55.6	+0.1	—
PBAM (NF)				
Managed Fund	789.7	831.3	-7.3	—
Equity Fund	1744.6	1836.5	-35.0	—
Property Fund	315.6	332.3	...	—
Fixed Interest Fund	366.3	385.6	-0.07	—
Deposit Fund	207.3	218.3	...	—
International Fund	140.7	148.2	+0.6	—
Index Linked Sec Fund	46.2	48.7	-0.2	—

Norwich Union Life Insurance Soc.

[illegible]

Provident Mutual Life Assc.—Cont.

[illegible]

Provincial Life Assurance Co Ltd

[illegible]

Royal Heritage Life Assur.—Contd.

[illegible]

Skandia Life Assur.—Contd.

[illegible]

Target Life Assurance—Cont.

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100	Treas. 12pc 1987	100	+	11.92	9.17
99	97	Treas 7¾pc 1985-88‡‡	99 xd		7.77	8.20
102¼	99	Exch 10½pc '88	100	+	10.42	9.38
101	98	Treas 9¾pc Cv '88	100	−	9.72	9.36
97	93	Transport 3pc '78-88	96	.....	3.10	6.61
101⅝	98	Treas. 9½pc '88	100	+	9.49	9.39
105	101	Treas 11½pc 1989	103 xd	+	11.16	9.37
102	97	Treas 9½pc Cnv 1989	100	+	9.48	9.31
94	89¾	Treas 3pc 1989	94	+	3.18	6.41
104⅝	99	Treas 10½pc 1989	101	+	10.31	9.37
103	98½	Exch.10pc 1989	101¼ xd	+	9.89	9.35
105¾	100⅝	Exch 11pc 1989	103	+	10.66	9.30
95	89	Treas 5pc 1986-89	94	+	5.27	7.51
108	100¼	Exch 10¼pcCv '89	103	+	9.88	8.40
111	105⅝	Treas 13pc 1990‡‡	107⅝	+	12.05	9.32
106⅞	100	Exch 11pc 1990‡‡	103 xd	+	10.63	9.40
110	104	Exch. 12½pc 1990	107	+	11.67	9.40
91	84½	Treas. 3pc 1990	90	+	3.30	6.63
100	93	Treas 8¼pc 1987-90‡‡	98¼	+	8.42	9.04
105	97½	Treas. 10pcCv 1990	101½	+	9.85	9.41
89	81	Exch 2½pc 1990	88½	+	2.83	6.38
110⅞	103¾	Treas 11¾pc 1991	106⅞	+	10.99	9.33
95¼	87¼	Funding 5¾pc '87-91‡‡	92	+	6.18	7.96
89	80¾	Treas. 3pc 1991	88	+	3.40	6.57
110¾	100	Treas 10pc Cv '91 ‡‡	103	+	9.60	8.73
109⅝	101	Exch. 11pc 1991	105⅝	.....	10.42	9.37
21	18¾	Treas. 8pc 1991 (20pd)●	18¾	−1¼	8.25	8.78
116	108	Treas 12¾pc 1992‡‡	112	+	11.36	9.34
106	97	Treas 10pc 1992	102 xd	+	9.75	9.29
99½	94¼	Treas. 8pc 1992 ‡‡	95½	+	8.15	8.47
108	99	Treas 10½pc Cv 1992‡‡	104	+	10.05	9.29
85⅝	85	Treas. 3pc 1992	85½	+	3.50	6.46
		Five to Fifteen Years				
115⅞	106⅞	Exch. 12¼pc '92	112 xd	+	11.36	9.34
121	111¾	Exch 13½pc 1992	115	+	11.63	9.46
107	97	Treas 10pc 1993‡‡	102	+	9.74	9.38
118	108	Treas 12½pc 1993‡‡	113⅝	+	11.00	9.43
95⅞	82¼	Funding 6pc 1993‡‡	90	.....	6.56	7.76
125	114	Treas 13¾pc 1993‡‡	119	+	11.48	9.49
129	119	Treas 14½pc 1994‡‡	124	+	11.69	9.50
124	113	Exch 13½pc 1994 ‡‡	118⅞	+	11.35	9.61
107⅝	97	Treas. 10pc Ln. 1994‡‡	102⅞	+	9.71	9.38
120	109¼	Exch. 12½pc 1994	114½ xd	+	10.91	9.61
103¾	92	Treas 9pc 1994‡‡	99	+	9.11	9.20
118¼	107⅝	Treas 12pc 1995	112 xd	+	10.66	9.60
82	76	Exch 3pc Gas 90-95	82¼	+	3.71	6.12
109	98	Exch. 10¼pc 1995	103⅞	+	9.87	9.53
123	112	Treas 12¾pc 1995‡‡	117	+	10.83	9.58
130	118⅞	Treas. 14pc '96	124	+	11.27	9.73
102	92	Treas. 9pc 1992-96‡‡	97	−	9.18	9.32
139	126¼	Treas 15¼pc 1996‡‡	132	+	11.52	9.67
127	116	Exch 13¼pc 1996‡‡	121	+	10.92	9.58
89	81¼	Redemption 3pc 1986-96	85	.....	3.48	4.58
108	96	Conversion 10pc 1996	102	+	9.72	9.51
128	116½	Treas 13¼pc 1997‡‡	122	+	10.86	9.64
111	100	Exch 10½pc 1997	105 xd	+	9.93	9.56
101	90⅛	Treas 8¾pc 1997‡‡	95	+	9.14	9.40
100¼	90¼	Treas. 8¾pc '97 'B' ‡‡	95	+	8.75	8.75
140	126⅞	Exch 15pc 1997	132	+	11.29	9.82
106	95⅝	Exch. 9¾pc 1998	101¼	+	9.63	9.55
88	78	Treas 6¾pc 1995-98‡‡	84	−	8.03	9.09
145	131⅞	Treas. 15½pc '98‡‡	138	+	11.21	9.77
122	109	Exch. 12pc 1998	115	+	10.36	9.65
106	95	Treas 9½pc 1999‡‡	100¼	+	9.43	9.38
124	111	Exch. 12¼pc 1999	117⅞	+	10.39	9.65
113	101	Treas. 10½pc 1999	106	+	9.83	9.52
111	99	Conversion 10¼pc 1999	105	+	9.76	9.53
100¼	93	Tr 8½pc Ln.2000‡‡	93	+	8.84	9.01
103	91¼	Conversion 9pc 2000‡‡	97	+	9.25	9.36
131⅝	117	Treas. 13pc 2000	124¼	+	10.45	9.66
110	98	Treas 10pc 2001	104 xd	+½	9.60	9.44
134	121¼	Treas. 14pc '98-01	127⅞	+	10.96	9.77
108	96	Conversion 9¾pc 2001	102⅞ xd	+	9.51	9.41
122⅝	110	Exch. 12pc '99-02	115	+	10.35	9.65
110	98	Conversion 10pc 2002	104½	+	9.56	9.40
		Over Fifteen Years				
109	96	Treas 9¾pc 2002	102 xd	+	9.48	9.39
103	96	Exch. 9pc 2002	97	+	9.28	9.34
136	123	Treas. 13¾pc 2000-03	129¼ xd	+	10.63	9.71
111	98	Treas 10pc 2003	105¼	+	9.51	9.57
121	108⅞	Treas. 11½pc 2001-04	114	+	10.01	9.52
111	98	Treas. 10pc 2004	105	+	9.48	9.34
59⅞	51¼	Funding 3½pc '99-04	56⅝	+	6.17	8.30
107	95⅛	Conversion 9½pc 2004	101½	+	9.37	9.33
107⅝	95	Conversion 9½pc 2005	101½	+	9.36	9.32
116¼	103	Exch.10½pc 2005	110	+	9.54	9.34
132	118	Treas. 12½pc 2003-05	125	+	9.96	9.99
94	83	Treas. 8pc 2002-06‡‡	89	+	8.96	9.19
95	88	Treas. 8pc 2002-06 'A' ‡‡	89	+	8.97	9.20
110⅛	97	Conversion 9¾pc 2006	104	+	9.37	9.29
126¼	111⅞	Treas. 11¾pc 2003-07	118⅞	+	9.87	9.38
99	87	Treas 8½pc 2007 ‡‡	93⅝	+	9.06	9.17
142	126	Treas. 13½pc '04-08	134	+	10.06	9.39
104	94¼	Treas. 9pc 2008 ‡‡	98	+	9.13	9.15
94	82⅞	Treas 8pc 2009	89	+	8.96	9.12
101	98	Conv 9pc Ln 2011	98¼	+		
69¼	61	Treas. 5½pc 2008-12‡‡	65	+	8.38	8.95
91⅞	80	Treas. 7¾pc 2012-15‡‡	86 xd	+	8.98	9.11
134	118	Exch. 12pc '13-'17	127	+	9.44	9.29
		Undated				
45⅝	40	Consols 4pc	43⅞ xd	+	9.24	—
40	35½	War Loan 3½pc‡‡	38¼	+	9.14	—
51	47	Conv. 3½pc '61 Aft.	49⅞	+	7.08	—
34	30¼	Treas. 3pc '66 Aft.	32	.....	9.25	—
28⅝	25¼	Consols 2½pc	27¼	+	9.32	—
28¼	25	Treas. 2½pc	27	+	9.22	—

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1986: 391.70 and for June 1987: 101.9 (rebased as 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53xd	...	3.50	16.60
50	40	Do. 6pc 28 Stb Ass.	50	...	3	16.00
47	45	Do 4pc Mixed Ass.	47	...	2	14.26
66	58	Hung. '24 Ass	65	...	2.75	14.23
146½	122¾	Hydro Quebec 15pc 2011	137⅞	+¼	15.00	10.60
94	83	Iceland 6½pc '83-88	90		—	—
136¼	115½	Do. 14½pc Ln. 2016	126⅞xd	.	14.50	11.30
103½	94	Ireland 9¾pc '91-96	99¼	−½	9.75	9.83
98½	85	Japan 6% '83-88	85	....	—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
41	32	Abbott Laboratories‡	38⅞	+¼	$1.00	—	1.6
17	11⅛	Ahmanson (H.F.)	12¼	−¼	88c	—	4.4
35¼	24⅝	Alcoa $1	35½	...	$1.20	—	2.1
18⅞	15⅛	♥Allegheny & W $0.01	17¼	−⅛			
15½	8¾	Amax $1	15⅜	−	—	—	—
26¼	17¼	Amdahl 5c	22¼	−	20c	—	0.5
33	25¼	Amer. Cyanamid $5	31⅛	....	$1.90	—	3.7
25	18	Amer. Express $0.60	21½xd	+⅛	$1.44	—	4.1
12⅞	10	Amer. Medical Int. $1	12¼	...	♦72c	—	3.6
19¾	14¼	American T. & T. $1	19¼	+	$1.20	—	3.8
63	46⅝	Ameritech $1	51⅞	−¼	h$4.72	—	5.6
21¼	15½	Amlack	20⅞	−¼	—	—	—
23	17⅞	Anheuser-Busch $1	22⅛xd	−¼	$2.00	—	5.5
81½p	45p	♥AridTech‡	80p	−1	—	—	—
10¼	6	BankAmerica $1	6⅞	−¼	—	—	—
34½	25¼	Bankers N.Y. $10	29½	......	$1.66	—	3.5
652p	340p	BASIX Corp.	374p	−8	12c	—	2.0
49⅞	36⅞	Bell Atlantic $1	40⅝	−⅛	$3.84	—	5.8
26	21	BellSouth Corp.	23⅛	−¼	$2.04		5.4
11⅞	4⅞	♥Bethlehem Steel $8	11⅞	+¼	—	—	—
20½	10¼	Bio-Rad Labs. Inc. 'A'	14⅝	−¼	—	—	—
26⅝	18⅞	Bowater Inc.	21¼	+¼	80c	—	2.3
19	15	Browning-Ferris 16⅔c	18	+	h40c	—	1.3
16⅛	12⅛	Brunswick	15 xd	−	60c	—	1.2
35¼	25⅞	CPC Intnl. 25c	32	+	b$1.24	—	2.4
23⅛	18	CSX Corp U.S.$1.00	23⅝	+	$1.16	—	3.0
25¼	17⅞	CalFed Inc $1.00	19⅞	..	60c	—	1.9
43	36¼	Campbell Soup 30c	39¼	+⅛	$1.44	—	2.2
39⅝	27⅛	Caterpillar Inc $1.00	39½xd	+¼	50c	—	0.8
608p	374p	Cenergy Corp. 25c	608p	+8	4c	—	0.4
28⅛	20⅛	Chase Manhattan $12.5	25⅞	−	$2.16	—	5.1
32¼	23⅝	Chemical New York	25⅛	−⅛	$2.72	—	6.6
24¾	16⅝	Chrysler 36¼	24¼	+⅛	♦$1.00	—	2.5
39½	29	Citicorp $4	37 xd	+	$2.46	—	4.0
886p	465p	CityFed Fin. Corp.	476p	+1	40c	—	5.2
31½	23⅛	Colgate-Palmolive $1	30½xd	−	$1.36	—	2.8
987p	806p	Colt Inds. $1	943p	...	—	—	—
23	19⅛	Cons Freightways $0.625	23½	+⅛	82c	—	2.1
398p	280p	Contl Illinois Corp $1	328p	+9	—	—	—
17p	14½p	Cont. Illinois Hldgs $1	15⅝p	...	8c	—	31.4
250p	98p	♥Corporate Data Sciences	243p	−7	—	—	—
800p	609p	Cullinet Sftw $0.1	749p	+1	—	—	—
45p	20p	Damson Oil 40c	20p	....	—	—	—
30	23	Dana Corp. $1	30 xd	+	$1.44	—	2.9
25⅞	17⅞	Data General	18⅞	−⅛	—	—	—
27p	12p	♥Derma-Lock Medical	22p	..	—	—	—
41⅞	33	Dun & Bradstreet $1	38⅞	−¼	$2.56	—	2.0
60¾	44	Eaton Corpn. 50c	60½xd	+¼	$1.60	—	1.6
22¾	17⅛	FPL Group $0.01	19xd	+¼	$2.12	—	6.8
22½	15	First Chicago $5	18½xd	+¼	$1.50	—	5.0
67	40	Ford Motor $2	66½	+¼	$3.00	—	2.8
29	23¼	GATX 62½c	28⅞xd	+¼	$1.50	—	3.2
35	29½	Gen. Elect. $0.63	35	+1	63c	—	1.1
10⅞	681p	♥General Host Corp $1	920p	+9	22c	—	1.5
27⅞	16	Gillette $1	25¼xd	−¼	76c	—	1.8
15⅝	989p	Gt Am First Sygs Bk $1	10½	−¼	♦26.7c	—	1.6
26	20	Greyhound $1.50	26¼xd	+¼	$1.26	—	2.9
16¼	12⅞	Hasbro Inc $0.50	15¼	+⅛	9c	—	0.4
19½	11	Home Group $1	11⅞	−⅛	20c	—	1.0
53⅞	40⅝	Honeywell $1.50	52¼	−¼	$2.00	—	2.4
29⅞	21½	Hospital Corp Am $1	29½xd	+¼	72c	—	1.5
105	77⅞	IBM Corpn $1.25	100⅞	−	$4.40	—	2.7
23⅞	16½	IC Industries	23xd	−¼	88c	—	2.3
41	30¼	ITT Corpn. $1	38¼	+	$1.00	—	1.6
130p	85p	♥Image Storage/R.Syn.1	120p	.....	—	—	—
23	16	Ingersoll-Rand $2	23	+	$1.04	—	2.7
16⅛	12½	Insilco $1	14⅝	−⅛	$1.00	—	4.2
12⅞	10	IU Intnl. $1.15	12	...	60c	—	3.1
36¼	26⅛	Lockheed Crpn. $1	35	+¼	$1.40	—	2.5
25	19⅞	Lone Star Inds $1	23⅞	.....	$1.90	—	4.9
24⅞	19	Louisiana Land $0.15	24⅝xd	+	$1.00	—	2.5
21	14	Lowe's 50c	16¼xd	.....	44c	—	1.6
32⅞	22	Manuf. Hanover $7½	26¼xd	−¼	$3.28	—	7.5
30¼	19	Merrill Lynch $1	23 xd	+	80c	—	2.1
35⅞	22	Molex Inc.	30¼	+	2c	—	—
52	24⅞	Morgan (JP) $2.5	29⅝xd	+¼	$2.72	—	5.6
46⅝	36⅛	NYNEX $1	43½	....	h$3.48	—	5.1
27	21¼	PHH	26½xd	+¼	$1.04	—	2.4
25½	19⅛	Pacificorp $3.25	22⅛	−⅛	$2.52	—	7.0
19⅞	13⅛	Pacific Telesis $0.10	15⅞	+¼	h$1.64	—	6.4
22	17⅛	Pall Corp. 25c	18⅛xd	.....	34c	—	1.2
56⅞	45⅞	Pennzoil 83c	47⅞	−1	$2.20	—	2.8
28	21	Pillsbury‡	28⅛	+⅛	$1.00	—	2.2
36⅞	26⅛	Quaker Oats $5	31 xd	−	h80c	—	1.6
42	28⅞	RJR Nabisco Inc.	35½	+¼	$1.60	—	2.8
39	27⅞	Rep NY Corpn $5	31⅞	.....	$1.16	—	2.3
18¼	15	Rockwell Intl. $1	16⅞	−⅛	64c	—	2.5

Continued on next page

Money Market Bank Accounts

ANZ Finance High Interest Cheque Acc
Minerva Hse, Montague Cl, London, SE1 01-378 2576

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484
Full Service Cur Acc

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]							
140	84	Anglo-Dominion	104		—	—	—
90	21	♥Colby Res. Corp.	48	-2	—	—	—
*303	127	Cons. Murch. 10c	287xd		Q60c	4.4	6.5
*70½	37½	♥Ennex Int. Ir10p	58		—	—	—
356	151	Greenwich Res.	356	+8	—	—	—
£12⅛	963	Hemlo Gold Mines	£11⅜	-⅛	—	—	—
355	189	♥Highwood Res.	325	+1	—	—	—
£25⅞	£16⅛	Homestake Mining $1	£24⅞	+¼	Q20c	—	0.5
442	150	♥McFinley Red Lake	401		—	—	—
166	86	♥Musto Explorations	120		—	—	—
118	37½	♥New Satena Res C$1	118		—	—	—
580	200	Northgate C$1	578	+18	—	—	—
237	104	Nor-Quest Resources	165	-15	—	—	—
£12¼	698	RTZ	£12⅛	+¼	23.5	2.7	2.5
£259¾	£113½	Do. 9¾pcLn '95-2000	£258	+1	Q9¾%	37.5	3.7

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelscot Group 10p	445		3.5	2.7	1.1	47.9
45	28	Aberdeen Am Pet 10p	43	+1	—	—	—	—
125	110	Allied Ins. Brokers	120		L3.5	2.5	4.1	13.9
83	73	Amercoeur Energy 10p	73		—	—	—	—
46	9	Ardmore Pet. 'A'	25	-4	—	—	—	—
98	45	Catalyst Comm. 5p	82	-4	—	—	—	34.1
200	163	Chelsea Artisans 5p	178	+15	—	—	—	23.9
180	155	Comac Group 5p	163		—	—	—	—
151	47	Corton Beach 10p	130	+5	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	175		—	—	—	—
285	102	Edenspring Investment	270		—	—	—	—
*62	18	Eglinton Oil Ir.5p	31		—	—	—	—
41	17	Do. Warrants	20	-1	—	—	—	—
175	101	Far East Res. 10p	168	-7	—	—	—	—
82	17	Publishing Hldgs.5p	79	-1	—	—	—	45.8
87	45½	Theme Holdings	74	-4	1.0	♦	1.9	♦
140	111	Unit Group	140ø		R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	91	.....	Fin. 13% 97/02	£108½	.....
Craig & Rose £1	£20	.....	Arnotts	380	.....
Finlay Pkg. 5p	126	.....	CPI Hldgs	80	-10
Holt (Jos) 25p	1003	.....	Carrol Inds.	168	-5
IoM Stm. £1	146	.....	Dublin Gas	18	.....
			Hall (R. & H.)	135	.....
IRISH			Heiton Hldgs.	50	-7
Fund 11¼% 1988	£100¼	.....	Irish Ropes	190	.....
Nat. 9¾% 84/89	£89¼	.....	Unidare	430	-10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Firmer Government bond sector helps equities rally from initial setback

Account Dealing Dates

First Dealings*	Option Declarations	Last Dealings	Account Day
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
Jul 27	Aug 6	Aug 7	Aug 17

* New time dealings may take place from 9.00 am two business days earlier.

A steady performance by the pound helped the UK securities markets to stand up against further selling pressure yesterday. Encouraged by a scattering of small gains in Government bonds, equities recovered much of an early fall which reflected painful pressures on marketmakers' portfolios. However, there was little retail support for either sector and traders remained on the look-out for the sellers believed to be lurking on the sidelines.

The FT-SE 100 index ended a net 4.3 down at 2340.2, having climbed back from a mid-session loss of nearly 27 points. The FT Ordinary Index gained 3.7 to 1836.1.

Equities were still "shell shocked" after Tuesday's setback. Those analysts who warned last week of an impending technical shakeout, commented yesterday that share prices could still lost further ground—perhaps another 100 FT-SE points—unless the market's fundamentals turned decidedly better.

The initial fall in share prices indicated signs of pressure on marketmakers' trading books. Some traders were told to cut positions and, in the absence of buyers, prices reacted sharply.

The firmness in the pound encouraged hopes that overseas buyers will stay with the London market, but Gilt-edged yields continued to signal fears of higher domestic interest rates.

Results from Midland Bank encouraged the banking sector, and provided fuel for the afternoon rally. Consumer stocks steadied after satisfactory trading figures from GUS. Among the industrials, a scattering of special features, notably the Smiths Industries purchase of a division of Lear Siegler of the US, brought some buyers into the market.

Government bonds made a good start but struggled to find the buyers as the session progressed. Early gains of ½ or so looked encouraging after the severe setback of the previous day, but were quickly trimmed. By midday, prices were only a touch above overnight levels. Some very thin buying interest then appeared, but only from primary dealers wanting stock to meet selling commitment.

Foreign holders, who sold stock on Tuesday, stayed out of London yesterday, and the final rally in bond prices looked unconvincing. Dealers are unhappy with the performance of the US bond market as well as with the latest UK trade figures.

Midland Bank shares shrugged off the general malaise and improved from an opening level of 622p to close a net 8 higher at 629p following the interim results which showed pre-tax profits of £251m—pre-debt provisions—against analysts' expectations which ranged from as low as £210m to around £250m.

The immediate reaction of Greenwell Montagu was that the results boded well for the othr clearing banks which should see good figures over the next week or so. BZW, on the other hand, said the profits performance was insufficient to sustain Midland shares in the light of the £700m rights call due on September 3.

GEC began to edge forward in late trading on rumours of an imminent statement regarding acquisition plans in the US. After falling to 234p in early deals, the shares rallied to close 1 up at 241p on turnover of 19m shares.

Speculation was fuelled by surprise that Smiths Industries had paid £219m for the avionics division of Lear Siegler, the US group known to be a GEC acquisition target.

Smiths is financing its deal with a placing of 71.9m shares, raising £233m.

Dee Corporation, the food and speciality retailer, fell 22 to 225p as trading results as the lower end of City forecasts did little to leaven the market's cautious view of the stock.

At Phillips & Drew, analyst Alun Jones cut his forecast for Dee's 1987-88 profits from £225m to £210m, and John Woodman at County Bisgood, although less bearish, trimmed his forecast by £5m to £235m.

In banks **Lloyds** were 12 higher at 410p ahead of the interim figures due this morning; BZW are forecasting profits before tax and debt provisions of £390m.

NatWest closed unchanged at 755p and **Barclays** were a shade better at 630p. The Scottish banks showed **Royals** a shade easier at 431p amid a fresh bout of rumours that the Kuwait Investment Office is seeking to sell its near 15 per cent stake.

Merchant banks were mixed. **Joseph Leopold** added 15 to 623p following shareholder approval of the rights issue at the extraordinary meeting, while further profit-taking left **Kleinwort Benson** 7 easier at 597p. **Guinness Peat** were persistently sold and settled 2½ lower at 102½p. **First National Finance**, a strong market in the past few weeks on bid rumours, turned decisively easier to close 9 cheaper at 328p but acquisition news sustained **Chancery Securities** which ended the day 13 firmer at 321p. The insurance sector, buoyed recently by takeover activity and rumours of imminent bids, was heavily sold as speculators closed their positions as the account draws to a close. In the life issues **Equity & Law** slipped 5 to 349p; Ron Brierley was rumoured to have completed his purchase of up to 28 per cent of the shares. Widespread losses included **Refuge**, 9 off at 564p and **Pearl**, 10 down at 393p but **London and Manchester** remained a firm market and closed a fraction up at 393p with dealers convinced that a 420p a share bid is imminent. In composites **Commercial Union** dropped sharply to 356p as the heavy losses at US group Firemans Fund raised the spectre of major asbestosis claims, but the shares rallied to close a net off at 360p. Broker **Windsor Securities** jumped 14 to 92p on the board changes and planned acquisitions.

Housebuilders **James Crosby** made a successful market debut; the shares, placed at 82p, opened at 95p and touched 100p prior to closing at 97p. Third market newcomer **Andaman Resources**, a mining exploration company, were quoted at 95p.

Leading Buildings, having sustained hefty losses in recent days, began the session in steadier fashion, however, the reappearance of sellers around mid-morning prompted a fresh setback from which the leaders hardly recovered despite a tentative rally in some other equity sectors. **Costain** reacted 7 afresh to 333p, while **Taylor Woodrow** shed a similar amount to 503p. **Barratt Developments** were 4 off at 233p and **George Wimpey** gave further ground to close 8½ down at 242½p. **Redland** shed 6 to 528p and **Rugby Portland Cement** eased 8 to 274p. Casualties among the second-liners included **McCarthy and Stone**, 363p, **Y. J. Lovell**, 289p and **Thomas Warrington** 182p, all of which sustained falls of around 10. **Wilson (Connolly)** fell 17 to 401p and **Countryside** lost 18 to 339p. **Wiggins** traded actively and closed 7 higher at 277p, but **Johnstones Paints** shed 15 to 165p following the interim results.

Preliminary profits of £337.6m pre-tax from GUS were just below best estimates by market analysts and **GUS "A"** shares settled ⅝ higher at £14⅛. Elsewhere in stores **Storehouse** remained a firm market amid rumours of an imminent sell-off of a major asset and put on 4 to 317p. **Goodman Brothers** were re-quoted at 83p following the proposed acquisition and rights issue. Bid speculation lifted **Sumrie** 28 to 133p.

Electricals fell sharply but many staged a good rally after hours. **Racal**, boosted by favourable Press comment on the pensions holiday rose 3½ to 283½p while **International Signal** gained 9 to 325p after the annual meeting. Confirmation that **Thorn EMI** placed its 4.9 per cent stake in **United Scientific Holdings** left Thorn up 4 at 760p while United were finally 2 better at 314p.

FKI rallied 4½ to 177p as did **Plessey**, to 210p, the latter in the wake of the joint venture with Switzerland's Hasler group.

Favourable Press comment on the good results announced on Wednesday lifted **Meuvier Swain** 17 to 365p, but disappointing figures left **AMS Industries** 7 down at 63p and **Arlen** 13 lower at 212p.

Engineers were featured by a jump of 48 to 190p in **Victor Products** in the wake of news that NEI has increased its holding in the company to 11.3 per cent via the purchase of a 6.1 per cent stake formerly held by Babcock International. Elsewhere, **Downiebrae**, still reflecting asset injection hopes, advanced 14 further to 188p, while **C. H. Bailey**, the subject of a tip sheet recommendation, moved up 6 to 45p.

Rank Hovis McDougall, in which Goodman Fletcher of Australia holds a 15 per cent stake, enjoyed a flurry of speculative buying on thoughts that Goodman may use any proceeds from possible sale of shares in Elders IXYL to mount an outright bid for the company; the RHM share price jumped to 340p at one stage before closing 8 higher on balance at 337p. **Unigate** were also the subject of revived speculative demand and rose 9 to 418p, while the retailing sector's current takeover favourite **Bejam**, gained 12 to 262p. **Dee Corporation** reacted on disappointment with the preliminary figures and closed a net 22 down at 225p. Elsewhere, **John Perkins Meats** gained 15 to 91p on news that Sims had sold its entire holding representing 23.4 per cent of the equity, at 87p per share.

Boots advanced 9 to 309p in active trading; the good volume of 6.9m shares changed hands following the chairman's statement; interest was also enlivened by continued talk of a bullish circular in the offing from **Nomura Securities**. Among the other miscellaneous industrial leaders, **Hanson Trust** were briskly traded (13m) before settling a shade firmer at 184p. **Glaxo**, in contrast, gave up ⅛ more to £17⅛.

Black Arrow responded to the good results, proposed bonus issue an share sub-division with a rise of 10 at 335p, but **Johnson Matthey** remained on offer at 378p down 15 following the chairman's remarks about future growth. **British Aerospace**, down 7 at 518p failed to benefit from news of the £7.5m research contract awarded to its subsidiary Royal Ordnance. Bid speculation continued in **Amari** which improved 5 more to 209p, but lower annual profits prompted a sharp reaction of 8 to 73p, in **Elbief**. Revived takeover speculation left **Metal Closures** 10 to the good at 236p.

Stanley Leisure rose 35 to 420p reflecting the good annual results and proposed one-for-three scrip issue, while **First Leisure** firmed 8 to 635p following satisfactory interim figures. **Tottenham Hotspur** were supported on property development prospects and gained 38 to 224p.

In the Motor sectors, **Lucas** came under further selling pressure and gave up 13 more to 716p. Elsewhere, **T. Cowie** moved up 80 to 990p amid continuing expansion hopes. **Trimoco**, suggested in the past as a possible takeover target for T. Cowie, gained 6 to 73p. Speculative activity also left **Lookers** 18 to the good at 480p.

Conrad Holdings, in which Mr D. Thomson and Mr R. Abrahams now hold a sizable stake, were again supported and put on 12 further to 267p.

Properties remained volatile. **Land Securities** touched 556p prior to closing 4p dearer at 554p while **MEPC** edged up to 535p before settling a shade better at 534p. Dealings in **Phoenix Property** and **Rohan Group** were suspended at 223p and 245p respectively; Rohan recently announced that it had received a bid approach.

Bats came under selling pressure amid talk of a broker's downgraded profits forecast and fell away to close 25 off at 635p in a volume of some 7.2m shares.

Dealings started yesterday in **CoxMoore**, formerly Harold Ingram, at 185p.

British Gas closed little changed at 182p, after 177p, on a turnover of 17m shares while **BP** settled 3 down at 379½p after 15m shares changed hands. **Ultramar** moved against the overall trend and put on 7 to 303p amid revived takeover speculation and talk that "downunder" operators have accumulated a near 30 per cent stake in the company. **Tricentrol** were also a firm market and put on 8½ to 129p.

Buying interest in the gold share sector petered out yesterday as investors absorbed the stock taken on board in the previous session. The heavyweight issues continued to move ahead but demand for the South African producers was modest. The FT Gold Mines index ended 1.2 up at 447.5.

Consolidated Gold Fields and **RTZ** came in for renewed support, and there were buyers also for **De Beers** and **Minorco**. The producer issues held steady, with the market still devoid of sellers at current levels.

Business in traded options was slightly reduced with total turnover of 59,054 contracts made up of 39,452 calls and 19,602 puts.

Traditional Options

- First dealings July 20
- Last dealings July 31
- Last declaration Oct 22
- For Settlement Nov 2

For rate indications see end of London Share Service

Stocks dealt in for the call included North Kalgurli, Wm. Boulton, Dares Estates, Blacks Leisure, Boots, Sears, Hillsdown, Hanson, Ferranti, Tesco, Commercial Union, Ultramar, Rolls-Royce and Abacus. London Merchant Securities were dealt in for the put, while a double option was arranged in Amstrad.

FINANCIAL TIMES STOCK INDICES

	July 23	July 22	July 21	July 20	July 17	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	89.37	89.54	90.36	90.78	91.20	89.19	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.00	97.39	97.52	98.53	98.78	95.83	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1836.1	1832.4	1872.0	1889.6	1916.9	1264.2	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	447.5	446.3	437.1	424.8	429.7	195.9	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.13	3.13	3.07	3.04	3.01	4.36				
Earnings Yld.%(full)	7.61	7.60	7.45	7.40	7.29	10.49				
P/E Ratio (net) (*)	16.15	16.17	16.49	16.61	16.85	11.59				
SEAQ Bargains (5 pm)	49,687	45,720	49,371	57,964	57,774	—				
Equity Turnover (£m)	—	2013.98	1615.67	1562.29	1849.20	1054.4				
Equity Bargains	—	58,757	60.081	73,592	70,743	19,574				
Shares Traded (ml)	—	747.4	630.2	828.2	903.1	212.1				

S.E. ACTIVITY

Indices	July 22	July 21
Gilt Edged Bargains	164.1	164.1
Equity Bargains	380.7	389.3
Equity Value	4070.8	3265.7
5-Day Average		
Gilt Edged Bargains	158.2	159.0
Equity Bargains	436.8	454.9
Equity Value	3765.1	3944.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1835.2	1828.6	1816.7	1823.3	1822.8	1832.8	1839.6	1832.2

Day's High 1839.6 Day's Low 1814.1. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.85.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	7,100	208	+2	Jaguar	2,100	590½	+4½
Allied Lyons	3,000	462	+7	Ladbroke	664	446	+5
Amstrad	1,900	176	+1	Land Securities	2,500	554	+4
Argyll Group	1,200	438	−2	Legal & Gen.	1,300	321	+3
Assoc. Brit. Foods	841	389	−6	Lloyds Bank	2,400	410	+12
BAT	7,200	635	−25	Lonrho	4,300	287½	−7½
BET	1,100	279	−9	MEPC	1,900	534	+3
BOC	1,200	515	+3	Marks & Spencer	3,100	255	+4
BPB Inds	439	833	−6	Midland Bank	2,300	627	—
BPCC	1,100	322	—	NatWest Bank	3,300	755	—
BTR	2,700	334	−1	Next	3,800	329	+1
Barclays	1,300	628	+1	Pearson	1,000	734	−13
Bass	1,200	£10⅛	−0⅛	P & O	1,200	741	−10
Beecham	3,700	566	+2	Pilkington Bros	2,100	£10⅛	—
Blue Circle	464	497	−12	Plessey	9,450	210	+2
Boots	6,900	309	+9	Prudential	582	£10⅛	—
Brit. Airways	4,800	158	−2	Racal	9,300	283½	+3½
Brit. Aero	2,100	518	−7	Rank Org.	287	762	−3
Brit. & Comm.	1,800	537	−6	RHM	3,200	337	+8
British Gas	17,000	182	+0½	Reckitt & Col	374	£11⅛	−0⅛
Britoil	9,100	312½	−4½	Redland	1,000	528	−6
BP	15,000	379½	−3	Reed Intl.	624	530	−10
Brit. Telecom	9,500	287	—	Reuters	570	873	−12
Bunzl	2,600	265	+5	RMC	179	526	−12
Burton	2,800	337	+8	RTZ	1,600	£12⅛	+0⅛
Cable & Wire	6,600	397½	+8½	Rolls-Royce	7,200	119	−1
Cadbury Schwps	3,600	271	+2	Rowntree	407	553	−5
Coats Viyella	1,100	346	−6	Ryl Bank Scotland	1,200	431	−3
Comm. Union	3,100	360	−6½	Royal Insurance	3,400	555	−1
Cons. Gold	1,600	£13	+0⅛	STC	2,700	302	+3
Cookson	182	769	−1	Saatchi & Saatchi	977	657	+4
Courtaulds	1,400	486	−12	Sainsbury	1,200	281	−4
Dee Corpn	18,000	225	−22	Scott & Newcastle	1,800	250½	+2½
Dixons Group	3,400	373	+8	Sears	9,900	173¾	+1¼
English China Clays	1,600	514½	−9½	Sedgwick	1,000	325	−5
Fisons	2,200	360	−7	Shell Trans	3,700	£14⅛	—
Gen. Accident	651	£10⅛	−0⅛	Smith & Nephew	2,300	175	+2½
Gen. Elect	19,000	241	+1	Standard Chart	303	813	+1
Glaxo	1,600	£17½	−0⅛	Storehouse	5,200	317	+4
Globe Investment	286	188	−2½	Sun Alliance	363	£10⅛	−0⅛
Granada	1,300	349	−7	TSB	3,000	91½	−0½
Grand Met	2,900	577	−5	Tarmac	1,900	301	+1
GUS "A"	361	£14⅛	+0⅛	Tesco	5,100	192	+1
Guardian R.E.	325	£10½	−0⅛	Thorn EMI	2,100	760	+4
GKN	2,000	366	+7	Trafalgar House	1,000	416	−3
Guinness	1,400	366	+2	T'house Forte	5,100	265	+5½
Hammerson	170	598	+5	Unigate	2,000	418	+9
Hanson Trust	13,000	184	+2	Unilever	694	676	−1
Hawker Sidd	640	571	+5	United Biscuits	1,300	330	−1
Hillsdown Hldgs	3,800	305	+2	Wellcome	2,700	472	+7
ICI	1,800	£14⅞	−0⅛	Whitbread "A"	1,600	394	+9
				Woolworth	3,950	400	+3

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (101)

AMERICANS (8), BANKS (1), BUILDINGS (5), CHEMICALS (2), STORES (4), ELECTRICALS (9), ENGINEERING (6), FOODS (3), INDUSTRIALS (20), INSURANCE (1), LEISURE (2), MOTORS (1), PAPERS (1), PROPERTY (7), SHIPPING (1), SOUTH AFRICANS (1), TEXTILES (2), TRUSTS (6), OILS (2), OVERSEAS TRADERS (1), PLANTATIONS (3), MINES (14).

NEW LOWS (5)

LOANS (1) N'wide 8¾pc 20.6.88, ELECTRICALS (3) Microlease, Rodime, Toshiba Corpn, TRUSTS (1), Paribas French Inv Tst.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	84	23	6
Corporations, Dominion and Foreign Bonds	8	8	43
Industrials	379	716	469
Financial and Properties	118	247	234
Oils	27	43	44
Plantations	2	4	8
Mines	64	40	86
Others	72	86	91
Totals	754	1,167	981

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thursday July 23 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Weds July 22 Index No.	Tues July 21 Index No.	Mon July 20 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	990.89	−0.6	6.92	2.75	18.08	11.21	996.51	1015.34	1027.14	700.98
2	Building Materials (30)	1280.96	−1.0	6.94	2.68	17.94	15.55	1294.52	1311.78	1336.15	794.95
3	Contracting, Construction (33)	1816.70	−2.3	6.63	2.64	20.19	19.38	1858.76	1890.50	1922.22	1222.95
4	Electricals (12)	2643.01	+0.4	5.69	2.93	22.65	36.50	2631.59	2705.69	2733.45	1827.26
5	Electronics (35)	2158.50	+0.3	7.02	2.27	18.24	15.26	2151.54	2208.20	2231.37	1575.25
6	Mechanical Engineering (60)	523.53	−0.4	7.71	3.23	16.28	7.80	525.44	534.60	538.42	390.90
8	Metals and Metal Forming (7)	569.35	−1.5	6.83	2.76	17.67	6.86	577.79	586.63	580.38	335.43
9	Motors (14)	384.66	—	7.94	2.77	14.64	3.42	384.65	395.08	399.70	292.63
10	Other Industrial Materials (21)	1630.66	−0.6	5.91	2.97	20.38	22.53	1640.86	1663.94	1682.60	1256.67
21	CONSUMER GROUP (184)	1350.67	−0.1	5.86	2.51	21.88	14.33	1351.95	1375.06	1381.41	900.55
22	Brewers and Distillers (22)	1235.00	+0.2	7.59	2.89	16.56	11.77	1232.27	1245.24	1240.85	905.52
25	Food Manufacturing (24)	1044.11	—	6.73	2.93	19.30	15.12	1043.89	1059.76	1075.84	664.25
26	Food Retailing (16)	2521.03	−1.4	5.17	2.30	26.37	21.16	2557.17	2608.29	2589.08	1797.32
27	Health and Household Goods (10)	2563.14	−0.7	3.95	1.56	29.64	15.11	2579.92	2627.01	2648.58	1528.26
29	Leisure (31)	1421.94	+0.3	5.81	3.06	22.31	20.36	1417.38	1439.16	1454.66	880.21
31	Packaging & Paper (15)	708.03	−0.6	5.77	2.44	22.93	7.88	712.43	718.34	726.79	471.06
32	Publishing & Printing (14)	4414.59	−1.1	4.85	3.15	26.51	59.63	4465.75	4494.69	4540.69	2498.58
34	Stores (36)	1123.57	+1.4	6.33	2.54	21.45	12.81	1107.92	1138.17	1141.54	855.71
35	Textiles (16)	827.33	−1.3	7.51	2.71	15.44	11.71	838.07	845.15	839.47	534.99
40	OTHER GROUPS (87)	1142.28	−0.6	7.57	3.06	16.50	11.06	1149.52	1168.21	1169.45	750.58
41	Agencies (16)	1744.56	−0.6	3.79	1.37	34.79	9.76	1754.62	1764.35	1782.48	0.0
42	Chemicals (22)	1422.53	−0.3	6.92	3.09	17.73	19.79	1426.13	1446.26	1453.40	924.15
43	Conglomerates (12)	1468.65	−0.3	7.24	3.13	15.85	18.93	1473.36	1510.12	1515.83	0.0
45	Shipping and Transport (11)	2397.26	−1.0	6.52	3.35	20.23	37.76	2421.96	2463.05	2473.95	1457.85
47	Telephone Networks (2)	1113.48	+0.4	9.06	3.63	14.72	2.95	1108.95	1130.01	1121.68	768.73
48	Miscellaneous (24)	1623.47	−2.7	8.66	2.73	13.84	18.61	1669.02	1687.18	1688.31	1027.92
49	INDUSTRIAL GROUP (483)	1215.90	−0.4	6.59	2.72	19.16	12.80	1220.29	1241.45	1248.27	820.50
51	Oil & Gas (17)	2331.30	−0.2	4.69	3.96	27.58	37.29	2336.66	2390.46	2398.95	1201.57
59	500 SHARE INDEX (500)	1310.59	−0.3	6.30	2.91	20.09	14.94	1315.07	1339.00	1345.96	854.08
61	FINANCIAL GROUP (118)	850.34	−0.3	—	3.46	—	13.48	852.50	869.43	878.07	603.58
62	Banks (8)	874.33	+0.5	15.83	4.29	8.35	16.24	869.74	885.79	893.67	648.93
65	Insurance (Life) (9)	1118.63	−0.4	—	3.76	—	20.71	1122.62	1157.12	1167.28	854.86
66	Insurance (Composite) (7)	635.63	−1.4	—	3.85	—	11.76	644.51	659.26	664.97	489.98
67	Insurance (Brokers) (9)	1339.84	−0.9	8.03	4.04	16.05	26.32	1352.29	1375.91	1383.80	1204.02
68	Merchant Banks (11)	495.26	+0.1	—	2.73	—	6.88	494.78	499.04	505.57	334.79
69	Property (46)	1284.80	−0.2	3.69	2.29	35.00	12.06	1287.58	1316.20	1332.92	781.03
70	Other Financial (28)	584.59	−0.7	5.69	2.76	22.13	7.17	588.91	594.49	600.67	340.41
71	Investment Trusts (92)	1115.34	−0.4	—	2.16	—	11.12	1120.16	1132.76	1136.52	744.72
81	Mining Finance (2)	637.37	+2.0	5.30	2.61	23.69	6.79	624.97	619.95	613.75	251.34
91	Overseas Traders (10)	1148.51	−1.6	7.86	4.09	15.09	23.27	1167.39	1174.84	1184.76	660.62
99	ALL-SHARE INDEX (722)	1188.19	−0.3	—	2.97	—	14.37	1191.84	1212.95	1219.82	779.84

	Index No.	Day's Change	Day's High	Day's Low	July 22	July 21	July 20	July 17	July 16	Year ago
FT-SE 100 SHARE INDEX ‡	2340.2	−4.3	2346.8	2317.7	2344.5	2390.5	2400.7	2428.7	2443.4	1572.3

FIXED INTEREST

	PRICE INDICES	Thur July 23	Day's change %	Weds July 22	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.55	+0.22	122.29	—	6.83
2	5-15 years	140.33	+0.23	140.01	—	7.99
3	Over 15 years	150.09	+0.39	149.50	—	7.35
4	Irredeemables	163.39	+0.22	163.03	—	7.27
5	All stocks	137.13	+0.26	136.78	—	7.57
	Index-Linked					
6	5 years	122.42	−0.05	122.48	—	1.57
7	Over 5 years	116.14	−0.03	116.18	—	2.22
8	All stocks	116.49	−0.03	116.52	—	2.03
9	Debentures & Loans	121.83	−0.99	123.05	—	6.17
10	Preference	88.23	−0.86	89.00	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Thur July 23	Weds July 22	Year ago (approx.)
	British Government				
1	Low	5 years	8.21	8.29	8.24
2	Coupons	15 years	9.21	9.23	9.26
3		25 years	9.23	9.25	9.29
4	Medium	5 years	9.35	9.44	9.62
5	Coupons	15 years	9.45	9.49	9.64
6		25 years	9.45	9.45	9.69
7	High	5 years	9.50	9.58	9.78
8	Coupons	15 years	9.35	9.39	9.59
9		25 years	9.07	9.09	9.57
10	Irredeemables†		9.09	9.17	9.24
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.54	2.52	3.85
12	Inflat'n rate 5%	Over 5 yrs	3.77	3.77	3.55
13	Inflat'n rate 10%	5 yrs	2.29	2.27	2.56
14	Inflat'n rate 10%	Over 5 yrs	3.72	3.72	3.38
15	Debs &	5 years	10.30	10.17	10.04
16	Loans	15 years	10.30	10.17	10.39
17		25 years	10.30	10.17	10.57
18	Preference		10.29	10.28	10.87

‡Opening index 2346.8; 10 am 2336.8; 11 am 2320.6; Noon 2327.9; 1 pm 2326.6; 2 pm 2337.6; 3 pm 2346.4; 3.30 pm 2336.6; 4 pm 2336.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option	Calls	Puts
Allied Lyons (*489)	[illegible]	[illegible]
Brit. & Comm. (*535)	[illegible]	[illegible]
Brit. Airways (*158)	[illegible]	[illegible]
British Gas (*181)	[illegible]	[illegible]
B.P. (*379)	[illegible]	[illegible]
Britoil (*311)	[illegible]	[illegible]
Cons. Gold (*1295)	[illegible]	[illegible]
Courtaulds (*486)	[illegible]	[illegible]
Com. Union (*360)	[illegible]	[illegible]
Cable & Wire (*396)	[illegible]	[illegible]
G.E.C. (*238)	[illegible]	[illegible]
Grand Met. (*576)	[illegible]	[illegible]
I.C.I. (*1494)	[illegible]	[illegible]
Land Securities (*550)	[illegible]	[illegible]
Marks & Spen. (*254)	[illegible]	[illegible]
Rolls-Royce (*115)	[illegible]	[illegible]
Shell Trans. (*1470)	[illegible]	[illegible]
Trafalgar House (*419)	[illegible]	[illegible]
TSB (*92)	[illegible]	[illegible]
Woolworth (*398)	[illegible]	[illegible]
Bass (*1006)	[illegible]	[illegible]
GKN (*367)	[illegible]	[illegible]
Jaguar (*590)	[illegible]	[illegible]
Barclays (*627)	[illegible]	[illegible]
Midland Bk (*625)	[illegible]	[illegible]
Brit Aero (*518)	[illegible]	[illegible]
BAT Inds (*635)	[illegible]	[illegible]
Brit. Telecom (*287)	[illegible]	[illegible]
Cadbury Schweppes (*271)	[illegible]	[illegible]
Guinness (*364)	[illegible]	[illegible]
Ladbroke (*446)	[illegible]	[illegible]
LASMO (*360)	[illegible]	[illegible]
P. & O. (*742)	[illegible]	[illegible]
Plessey (*209)	[illegible]	[illegible]
Prudential (*1009)	[illegible]	[illegible]
Racal (*280)	[illegible]	[illegible]
R.T.Z. (*1264)	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]
Tr. 11¾% 1991 (*107)	[illegible]	[illegible]
Tr. 11¾% 03/07 (*119)	[illegible]	[illegible]
Amstrad (*176)	[illegible]	[illegible]
Beecham (*564)	[illegible]	[illegible]
Boots (*309)	[illegible]	[illegible]
BTR (*334)	[illegible]	[illegible]
Blue Circle (*497)	[illegible]	[illegible]
De Beers (*1370)	[illegible]	[illegible]
Dixons (*372)	[illegible]	[illegible]
Glaxo (*1753)	[illegible]	[illegible]
Hanson (*184)	[illegible]	[illegible]
Lonrho (*288)	[illegible]	[illegible]
Sears (*174)	[illegible]	[illegible]
Tesco (*191)	[illegible]	[illegible]
Thorn EMI (*760)	[illegible]	[illegible]
Trusthouse Forte (*266)	[illegible]	[illegible]
FT-SE Index (*2335)	[illegible]	[illegible]

July 22. Total Contracts 59,054. Calls 39,452. Puts 19,602.
FT-SE Index Calls 1,626 Puts 4,416
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

July 23	Price Sch%	+ or −
Creditanstalt	2100.00	−110
Goesser	3045.00	−145
Interunfall	12160.00	−640
Jungbunzlauer	9000.00	−400
Laenderbank	1980.00	−100
Perlmooser	760.00	+10
Steyr-Daimler	130.00	+6
Veitscher Mag	835.00	−75

BELGIUM/LUXEMBOURG

July 23	Price Frs.	+ or −
B.B.L.	3340	+10
Banque Gen. Du. L.	15300	.....
Bank Int. A	14300	.....
Bekaert B	11625	+25
Ciment CBR	6000	+50
Cockerill	160	−1
Delhaize	3790	+290
EBES	5180	+80
Fabrique Nat	1545	.....
GB Inno BM	1368	+26
GBL (Brux) L	3950	.....
Generale Bank	6740	.....
Gevaert	8050	+50
Hoboken	7890	−50
Intercom	4090	.....
Kredietbank	4795	−5
Pan Holdings	13050	+50
Petrofina	12750	+175
Raffinerie Tirle	1790	+25
Royale Belge	6190	−60
Soc Gen Belge	4055	−95
Sofina	15000	+50
Solvay	14200	+250
Stanwick Intl.	500	+50
Tractebel	8050	.....
UCB	11300	−100
Wagons Lits	5700	.....

DENMARK

July 23	Price Kr %	+ or −
Baltica Skand	955	+3
Cop Handelsbank	267	+1
D. Sukkerfab	283	+2
Den Danske Bank	348	+2
East Asiatic	183	+2
Forenede Brygg	805	−5
GNT Holding	228	−2
I.S.S.B. Systems	770	+10
Jyske Bank	515	.....
Novo Inds.	268	−5
Privatbanken	269	+2
Sophus Berendsen	890.00	.....
[illegible]	[illegible]	[illegible]

FINLAND

July 23	Price Mks	+ or −
[illegible]	[illegible]	[illegible]

FRANCE

July 23	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]
Pernod-Ricard	981	−2
Perrier	817	+12
Petroles Fra	485	−3
Peugeot S.A.	1378	+18
Printemps Au	646	−3
Radiotech	1480	−10
Redoute	2470	−20
Roussel-Uclaf	1420	.....
St. Gobain	452	+2
Sefimeg	450	.....
Skis Rossignol	1220	+5
Telemech Elect	3100	+140
Thompson (CSF)	1348	+37
Valeo	589	−1

GERMANY

July 23	Price Dm.	+ or −
AEG	317.80	−5.7
Allianz Vers	1955.00	−26
BASF	309.50	−2.5
Bayer	340.00	−2.5
Bayer-Hypo	445.00	+3
Bayer-Verein	442.00	−6
BHF-Bank	460.00	−6
BMW	691.00	−4
Brown Boveri	320.00	−4.5
Commerzbank	283.00	−5
Cont'l Gummi	354.00	−2.8
Daimler-Benz	1137.00	−9
Degussa	539.00	−6
D'sche Babcock	234.00	−3
Deutsche Bank	638.50	−10.5
Dresdner Bank	332.50	−5
Feldmuehle Nobel	318.80	+1.3
Henkel	555.00	+2
Hochtief	668.00	−7
Hoechst	319.00	−1.5
Hoesch Werke	125.50	+0.5
Holzmann (P)	436.00	+4
Horten	237.00	−1.5
Hussel	594.00	+4
Karstadt	497.00	−3.5
Kaufhof	488.80	−0.4
KHD	166.70	−2.3
Kloeckner	158.50	−1
Linde	734.00	−11
Lufthansa	185.50	−0.5
MAN	184.00	−3.5
Mannesmann	167.00	−3.5
Mercedes Hld.	972.00	−12
Metallgesell	368.00	+5
Muench Rueck	2050	−35
Nixdorf	838.00	−1
Porsche	990.00	−0.5
Preussag	190.20	−7.8
Rhein West Elect	233.00	−2.2
Rosenthal	279.50	−0.5
Schering	604.00	+2
Siemens	671.00	−6
Thyssen	129.70	−1.3
Varta	358.00	.....
Veba	308.00	−3
V.E.W.	161.00	−3
Verein-West	426	.....
Volkswagen	381.00	−12

ITALY

July 23	Price Lire	+ or −
Banca Com'le	3400	.....
Bastogi-IRBS	612.00	−14
CIR	6090	.....
Credito Italiano	2014	.....
[illegible]	[illegible]	[illegible]

NETHERLANDS

July 23	Price Fls.	+ or −
[illegible]	[illegible]	[illegible]

NORWAY

July 23	Price Kroner	+ or −
Aker-Norcem	72.50	.....
Bergen bank	183.50	−3.5
Bergesen B	425.00	+5
Christiania Bk	194.50	+1.5
Den Norsk Credit	163.50	−0.5
Elkem	120.00	+1.5
Kosmos	134.50	−1
Kvaerner	226.00	−2
Norsk Data	227.00	.....
Norsk Hydro	239.00	+6.5
Orkla Borregaard	429.50	−3.5
Storebrand	357.50	+3.5

SPAIN

July 23	Price Pts. %	+ or −
Banco Bilbao	[illegible]	[illegible]
Banco Central	[illegible]	[illegible]
Banco Exterior	[illegible]	[illegible]
Banco Hispano	[illegible]	[illegible]
Banco Popular	[illegible]	[illegible]
Banco Santander	[illegible]	[illegible]
Banco de Vizcaya	[illegible]	[illegible]
Banesto	[illegible]	[illegible]
Dragados	[illegible]	[illegible]
Hidrola	[illegible]	[illegible]
Iberduero	[illegible]	[illegible]
Petroleos	[illegible]	[illegible]
Telefonica	[illegible]	[illegible]

SWEDEN

July 23	Price Kronor	+ or −
[illegible]	[illegible]	[illegible]

SWITZERLAND

July 23	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA

July 23	Price Aust.$	+ or −
[illegible]	[illegible]	[illegible]
Goodman Fielder	4.55	.....
Hardie (J.)	3.95	.....
Hartogen Energy	3.65	.....
ICI Aust	5.00	.....
Industrial Equity	5.30	.....
Jimberlana (50cFP)	0.65	.....
Jones (David)	11.50	.....
Kia Ora Gold	1.15	.....
Kidston Gold	8.30	.....
Lend Lease	15.80	.....
MIM	2.80	+0.13
Mayne Nickless	5.30	.....
Nat. Aust. Bank	5.02	.....

JAPAN

July 23	Price Yen	+ or −
[illegible]	[illegible]	[illegible]
Mitsui Co.	687	+19
Mitsui Estate	2300	+110
Mitsui Toatsu	630	−4
Mitsukoshi	1540	+40
NGK Insulators	875	−9
Nikko Sec	2160	+120
Nippon Denso	1480	+10
Nippon Elect	1850	.....
Nippon Express	1060	+10
Nippon Gakki	1450	−10
Nippon Kogaku	815	−15
Nippon Kokan	268	+11
Nippon Oil	1360	.....

AUSTRALIA (Continued)

July 23	Price Aust.$	+ or −
[illegible]	[illegible]	[illegible]

HONG KONG

July 23	Price H.K.$	+ or −
[illegible]	[illegible]	[illegible]

JAPAN (Continued)

July 23	Price Yen	+ or −
Nippon Seiko	555	+6
Nippon Shimpan	1370	−20
Nippon Steel	315	+14
Nippon Suisan	575	−12
Nippon Yusen	539	+4
Nissan Motor	654	+3
Nisshin Flour	1200	.....
Nomura	4280	+260
Olympus	1090	.....
Onoda Cement	637	+6
Orient Finance	1560	+70
Orient Leasing	3550	.....
Pioneer	3100	+70
Ricoh	990	−20
Sankyo	1740	.....
Sanwa Bank	2580	−40
Sanyo Elect	510	−20
Sapporo	1950	+90
Sekisui House	2330	+80
Seven-Eleven	7590	−20
Sharp	1190	.....
Shimizu Const.	884	+29
Shionogi	1670	+60
Shiseido	2060	+50
Showa Denko	564	+11
Sony	4090	+20
S'tomo Bank	3500	+200
Sumitomo Chem	790	+1
Sumitomo Corp	940	+5
S'tomo Elect	1560	+10
S'tomo Metal	215	+6
Taisei Corp	1000	+41
Taisho Marine	1130	+70
Taiyo Kobe Bank	1420	+10
Takeda	2900	+100
TDK	4770	+120
Teijin	760	−8
Toa Nenryo Kyo	2070	+10
Tokai Bank	2000	.....
Tokyo Marine	2060	+100
Tokyo Elect Pwr	5810	+210
Tokyo Gas	979	+54
Tokyo Corp	1430	+40
Toppan Print	1450	−40
Toray	658	+8
Toshiba Elect	585	−11
Toyo Seikan	2520	−30
Toyota Motor	1730	.....
UBE Inds	420	+20
Victor	3180	+30
Yamaha	840	+10
Yamaichi Sec	2240	+130
Yamanouchi	4440	+180
Yamazaki	1490	−80
Yasuda Fire	1100	+40

SINGAPORE

July 23	Price $	+ or −
Boustead Hldgs	2.35	.....
Cerebos Pacific	6.45	.....
Cold Storage	4.84	.....
DBS	15.50	.....
Genting	7.00	.....
Haw Par Bros	5.80	.....
Hong Leong Fin.	4.60	.....
Inchcape Bhd	6.75	.....
Keppel Shipyard	4.12	.....
Malay Banking	8.00	.....
Malayan Utd. Ind.	2.67	.....
Multi Purpose	0.90	.....
OCBC	10.40	.....
OUB	5.45	.....
Public Bank	2.85	.....
Sime Darby	3.62	.....
Singapore Air	13.90	.....
Singapore Press	9.60	.....
Straits Trading	4.94	.....
Tat Lee Bank	4.08	.....
UOB	6.60	.....

SOUTH AFRICA

July 23	Price Rand	+ or −
Abercom	3.05	.....
AE & CI	16.75	−0.25
Allied Tech.	160	.....
Anglo Am Coal	38.00	.....
Anglo Am Corp	88.00	+0.5
Anglo Am Gold	397.00	.....
Barclays Bank	21.50	−0.5
Barlow Rand	26.25	−0.25
Buffels	79.00	−0.5
CNA Gallo	4.90	.....
Currie Finance	5.30	−0.05
De Beers	49.25	+1.25
Driefontein	92.00	+0.25
Freegold	60.50	−1
Gold Fields SA	85.00	+0.5
Highveld Steel	6.90	.....
Malcor Hldgs	20.75	.....
Nedbank	8.10	−0.05
OK Bazaars	20.00	.....
Rembrandt	15.00	.....
Rust Plat	61	+0.37
Safren	30.00	−0.75
Sage Holdings	17.00	+0.5
SA Brewers	22.75	+0.2
Smith (C.G.)	45.00	.....
Tongaat Hulett	13.90	−0.1

NOTES - - Prices on this page are as quoted on the individual exchanges and are last traded prices. ø Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices July 23

Sales	Stock	High	Low	Close	Chng
3343	AMCA Int	$12⅝	12½	12½	−⅛
61630	Abitibi Pr	$33	32⅝	32⅝	−⅛
2	Acklands	$17⅞	17⅞	17⅞	
19250	Agnico E	$35¾	35⅜	35¾	+⅛
31836	Albrta En	$22⅞	22⅝	22⅝	−⅛
10400	Albrta N	$16	15½	16	+⅝
158470	Alcan	$45½	44⅝	45¼	+1
4651	Algoma St	$19⅝	18⅞	18¾	
30360	Asamera	$13⅞	13¾	13⅞	
96317	Atco I f	$13⅜	13	13⅛	−⅛
790	Atco II	$13⅛	13	13	
5250	BC Sugar A	$30	29⅞	29⅞	−⅛
5150	BGR A	$13½	13⅛	13⅛	−¼
74582	BP Canada	$25⅜	25	25	−⅛
2965	Banister C	$12⅝	12⅜	12½	−⅛
29525	Bk BCol	58	58	57	+1
27898	Bk Montl	$34	33¾	33¾	−⅛
70724	Bk NScot	$17⅞	17⅝	17⅝	−⅜
131619	Bell Can	$41½	41⅛	41⅜	−⅛
83742	Bow Valy	$21	20½	20½	−½
4800	Bralorne	315	305	305	−10
13000	Bramalea	$24½	24⅜	24⅜	−⅛
41846	Brascan A	$40¼	39¾	40	+¾
50600	Briwater	$9½	9⅛	9⅛	−⅜
2520	Brenda M	$15½	15¼	15½	+¼
24181	BC ForP	$24½	23¾	24¼	+½
101590	BC Res	123	120	120	
17583	BC Phone	$28⅛	27⅞	28	−⅛
3600	Brunswk	$17¾	17½	17¾	
19150	CAE	$11⅜	11⅛	11⅜	
70830	CCL B f	$14¼	13⅞	14	+⅛
1400	Cad Fry	$31	31	31	
25350	Cambridg	$29¼	29	29	
2462	Camp RLk	$37⅝	37⅛	37⅛	−⅝
14855	Camp Res	320	315	315	
33000	Campeau f	$40⅜	40	40⅜	−⅛
15617	CCem ex p	$17½	16½	17¼	+⅞
104685	CDC f	$16	15¾	16	+¼
1750	C Nor West	$26	26	26	
7000	C Packrs	$18¼	18⅛	18⅛	−⅛
400	CS Pete f	420	420	420	
400	Can Trust	$74	74	74	+1
350	Cdn GE	$21⅞	21½	21⅞	+⅞
370	CG Invest	$50¾	50¾	50¾	−¼
87807	CI Bk Com	$22¾	22⅜	22⅜	−¼
9800	C Marconi	$22	21¾	21¾	−¼
2700	C Occidntl	$43	43	43	+⅛
108278	CP Ltd	$30	29⅝	29⅝	−⅛
29202	CTire A f	$15¼	15	15	−¼
103670	CUtil A f	$20½	20¼	20⅜	
800	CUtil B	$20⅜	20⅜	20⅜	−⅛
65500	Canfor	$32¼	31¾	32¼	+⅜
100	Canron A	$17⅛	17⅛	17⅛	−⅜
424800	Cara	$12¾	12½	12¾	
2050	Cara A f	$12½	12⅛	12½	+⅛
293199	Carma A	12	11⅛	11⅛	
901	Celanese	$22½	22¼	22¼	+¼
13960	CentFd A	$9⅝	9⅝	9⅝	
2900	Chieftan	$15⅜	15⅜	15⅜	+⅛
100	CHUM B f	$17½	17½	17½	+¼
257888	Cominco	$20	19¾	20	+⅜
9800	Cmputing	$9⅛	8⅞	9	−⅛
2900	Comput In	310	305	305	
11000	Comterm	90	90	90	−2
112953	Con Bath A	$19⅜	18⅞	19	
16800	CDistb B f	490	475	480	−5
2800	Cons Gas	$26¾	26½	26¾	−⅛
4010	Con Glass	$29⅞	28¾	28¾	−¼
13702	Conwst B	$14	13⅝	14	+¼
1100	Corby	$20¾	20½	20¾	+¼
700	Costain Ltd	$12	11¾	11¾	−¼
9500	Coseka R	115	111	115	+3
14600	Crownx	$18¼	18	18	
37000	Crownx A f	$8¾	8½	8⅝	−⅛
17200	Czar Res	238	231	231	−2
13100	Denison A p	$8	7¾	7⅞	
22000	Denison B f	$7½	7¼	7¼	−⅛
1600	Develcon	425	425	425	
6700	Dicknsn A f	$13⅛	13	13⅛	−⅛
1000	Dicknsn B	$13	13	13	
5036	Dofasco	$27¾	27½	27¾	−¼
31073	Dome Mine	$18⅞	18⅝	18¾	
101053	Dome Pete	113	112	112	−1
5553	D Textle	$19½	19	19½	−½
34319	Domtar	$20¾	20¼	20½	+⅛
1700	Donohue	$37	36½	36½	
2000	Du Pont A	$32½	32¼	32½	+⅛
83750	Dylex A	$16¼	16	16⅛	
1600	E-L Fin	$64½	64½	64½	
43932	Echo Bay	$28⅝	28¼	28¼	−⅜
1500	Emco	$14	14	14	+¼
7600	FCA Intl	$16	16	16	−⅛
518006	Fionbrdg	$27⅞	26¼	27⅞	+1⅛
8200	Fed Ind A	$18½	18¼	18½	+¼
2800	Fed Pion	$13½	13⅜	13⅜	
2800	FCity Fin	$20	19¾	20	
1827	Ford Cnda	$200	195	200	+5
4000	Gandalf	$9½	9¼	9½	
5206	Geac Comp	276	270	270	−6
1642	Gendis A	$19½	19⅜	19⅜	−⅛
600	Gibrltar	$12⅝	12⅜	12⅜	−⅛
17400	Goldcorp f	$11½	11¼	11¼	−¼
11000	Grafton A f	$14¾	14⅝	14⅝	
8700	GL Forest	$53	52	53	+½
1770	Greyhnd	$25	25	25	
29900	GuarPA f	$17⅞	17⅜	17⅞	+¼
212	Hawker	$28	28	28	
508	Hayes D	$11¾	11¾	11¾	−⅛
16350	Hees Intl	$24⅜	24	24	−⅜
4502	H BayMn s	$11⅜	11¼	11¼	−⅛
1808	H Bay Co	$24½	24⅛	24⅜	+¼
57135	Imasco	$36½	36¼	36½	+⅜
162820	Imp Oil A	$73¾	72¼	73¼	
244311	Inco	$26⅞	26⅜	26⅞	+⅜
2100	Indal	$15	14½	14½	−½
5600	Inland Gas	$14⅝	14⅝	14⅝	+¼
6010	Innopac	$10¾	10½	10½	−¼
13500	Inter City	$19⅝	19¼	19⅜	−¼
191250	Intl Thom	$15⅛	15	15	+⅛
6340	Intpr Pipe	$55	54½	54½	−½
2430	Ipsco	$12½	12½	12½	
19800	Ivaco A f	$17⅜	17¼	17⅜	
40800	Jannock	$22⅜	22	22⅜	+⅜
3688	Kerr Add	$27⅛	26¾	27	+¼
1970	Kiena Gld	$20½	20	20½	−¼
70291	Labatt	$28	27½	27⅞	+¼
42527	LL Lac	$44	43½	43½	
23700	Lacana	$19⅞	19⅝	19¾	−⅛
11255	Laidlaw A	$21¼	20¾	21⅛	+⅜
142916	Laidlw B f	$20	19¾	19⅞	+⅛
58035	Leigh Inst	$5¾	5½	5¾	+¼
14948	Loblaw Co	$16	15⅝	15⅞	−⅛
2700	Lumonics	$11	10¾	10¾	−¼
2600	MICC	$18	18	18	
28134	Mclan H X	$21⅝	21½	21⅝	+¼
1800	Mcln HY f	$19½	19¼	19½	+⅜
45647	Macmilan	$27⅞	27⅝	27⅞	+⅛
35569	Magna A f	$23⅞	23½	23⅞	+⅜
8304	Maritime f	$16⅛	16	16	−⅛
15625	Mc Intyre	$55½	52½	55½	+3
48438	Minrl Res	475	460	475	+10
362550	Mitel Corp	$6¼	6	6	−⅛
6266	Molson A f	$26¼	26⅛	26¼	
2020	Molson B	$26½	26½	26½	
11300	M Trusco	$15½	15	15½	+⅜
70075	Moore	$33⅝	33¼	33⅜	−⅛
2525	Murphy	$30¾	30½	30¾	
38033	Nat Bk Can	$14⅛	13⅞	14⅛	+⅛
9591	Nt Vg Trco	$23	22⅝	23	+¼
2000	Nfl CapA f	$11½	11½	11½	−⅛
5600	Nfld LP A	$20⅛	20	20⅛	
161599	Noranda	$34	33⅝	33⅞	+⅞
292290	Norcen	$28¾	28½	28¾	
317090	Norcn ord f	$23⅜	22⅞	23⅜	
56965	NC Oils	$18½	18⅛	18¼	−⅛
291695	Nor Tel	$29⅛	28⅝	28¾	+⅛
70400	Northgat	$12½	12¼	12¼	
137072	Nva AltA f	$10½	10¼	10½	+¼
26860	Nowsco W	$22¼	22	22	−¼
50580	Nu West	38	36	38	+2
4675	Numac	$11⅛	11	11⅛	
2314	Oakwood	370	360	370	+10
1300	Oakwd A f	210	205	205	+1
1600	Ocelot B f	$5½	5½	5½	
1856	Omega Hyd	$9	8⅞	8⅞	−⅛
23900	Oshawa A f	$21¾	21⅜	21¾	+⅛
66100	PacW Airl	$24⅜	23⅝	24⅜	+⅜
87950	Pguin A f	$13½	12¾	13½	+½
3600	Pamour	$16½	16¼	16½	+⅛
1255	PanCan P	$34¾	34¼	34½	−½
25533	Pegasus	$28⅝	28½	28¾	+¼
1200	Pembina	$19⅛	19	19	
5200	PJewl A f	$13½	13⅜	13½	+⅛
16450	Pine Point	$13½	13	13½	+¼
87212	Placer D	$22	21¾	22	
56030	Poco Pet	$17¾	17⅜	17⅜	+⅛
135305	Powr Cor f	$17⅛	16⅞	17¼	+¼
11642	Precamb	365	365	365	+5
9858	Provigo	$13	12⅛	12⅝	−½
14550	Que Sturg	$7⅜	7⅜	7⅜	
100	Que Tel	$14⅜	14⅜	14⅜	
54252	Ranger	$8½	8¼	8⅜	−⅛
2620	Rayrock f	$14	13½	13½	−½
6827	Redpath	$13¼	12⅝	13	+⅛
9000	Regionl R	400	395	395	
1100	Reitman A f	$24	23¾	23¾	+¼
2143	Rio Algom	$23⅜	23¼	23¼	−¼
18180	Rogers B f	$24	23⅝	23⅞	−¼
1025	Roman	$18⅜	18¼	18¼	
200	Rothman	$39	39	39	+¼
343182	Royal Bnk	$35½	35⅛	35⅛	−⅜
521324	RyTrco A	$18	17⅞	18	
76170	Royex	$5⅝	5⅜	5⅜	−¼
1180	SHL Syst	$26⅛	26¾	26¾	−½
1200	St. CemA f	$27¾	27½	27½	−⅜
33180	Sceptre	$5⅛	495	495	−5
10	Scot Paper	$20⅛	20⅛	20⅛	
10020	Scotts f	$13	12⅝	13	+¼
1200	Scotts C	$13⅛	13⅛	13⅛	
68989	Seagram	$102½	101	101⅞	+1½
10060	Sears Can	$12½	12¼	12½	+⅛
2250	Selkirk A f	$22¼	22¼	22¼	+¼
78773	Shell Can	$48⅜	47¼	48	+⅛
4390	Sherritt	$6⅜	6½	6⅜	+⅛
200	Sigma	$19½	19½	19½	−½
52315	Southm	$22⅞	22¾	22¾	+⅛
6763	Spar Aero f	$20	19¾	20	+⅛
5900	Steinbg A f	$36⅞	36¾	36¾	
17184	Stelco A	$26⅞	26⅝	26⅝	−⅛
17000	Teck B f	$34	33⅝	34	+⅜
18825	Terra Mn	240	230	230	
21228	Texaco Can	$40⅜	39½	39⅞	−½
18600	Thom N A	$33	32¼	32¾	−¼
52839	Tor Dm Bk	$30¾	30¼	30¼	−½
560	Tor Sun	$20⅜	20	20⅜	−⅛
49605	Torstar B f	$34⅜	34	34¼	+¼
5450	Total Pet	$26	25⅝	25⅝	−⅝
18068	Traders A f	$72½	69	72	−1
700	Trns Mt	$16¼	16⅛	16⅛	−⅛
75664	TrnAlta UA	$26⅞	26⅝	26¾	
74036	TrCan PL	$18¾	18½	18⅝	
156275	Trilon A	$20⅝	20⅛	20½	
87369	Trimac	$6	5⅝	5⅞	+¼
13600	Trinity Res	105	100	105	−5
28500	Trizec A f	$32	31¾	31¾	−¼
36001	Trizec B	$34⅛	34⅛	34⅛	+⅛
24500	Ulster P	295	285	295	−5
107510	U Entprise	$11⅛	11¼	11¼	−⅛
15000	U Canso	130	125	125	−10
893	Un Corp	$54½	54	54	−¼
7100	Vulcan Ind	295	285	295	
100	Wajax A	$15⅜	15⅜	15⅜	−⅜
11196	Wcoast T	$19⅛	18⅞	19	+⅛
19680	Westmin	$14⅛	14	14	
35680	Weston	$44¼	43	44¼	+1½
118758	Woodwd A	$5½	5¼	5½	

F-No voting rights or restricted voting rights.

MONTREAL
Closing prices July 23

Sales	Stock	High	Low	Close	Chng
30975	Bank Mont	$34	33¾	34	+⅛
4150	BombrdrA	$10⅜	10½	10½	−¼
242240	BombrdrB	$10⅝	10½	10⅝	+⅛
600	CB Pak	$20¾	20½	20⅝	+¼
11250	Cascades	$12	11⅞	11⅞	−⅛
100	CIL	$32⅛	32⅛	32⅛	
12472	ConBath	$19⅜	19	19¼	+⅛
2052	DomTxtA	$19½	19⅛	19½	
19200	MntTrst	$15½	15	15½	+⅜
74203	NatBk Cda	$14	13⅞	14	
10188	Noverco	$13¼	12⅞	12⅞	
389604	Power Corp	$17¼	16⅞	17¼	+¼
43619	Provigo	$13	12½	12½	−⅜
2000	RollandA	$15¾	15¾	15¾	−⅛
74246	Royal Bank	$35½	35⅛	35¼	−⅛
1335	SteinbrgA	$37	36¾	36¾	+⅛
6375	Video Tron	$15⅛	15	15	−⅛

Total Sales 7,825,097 shares

Indices

NEW YORK-DOW JONES

	July 23	July 22	July 21	July 20	July 17	July 16	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,471.84	2,470.16	2,487.85	2,487.72	2,510.04	2,498.87	2510.04 (17/7/87)	1927.31 (2/1)	2510.04 (17/7/87)	41.22 (2/7/32)
Transport	1,047.42	1,048.31	1,032.82	1,038.81	1,047.02	1,044.78	1047.02 (17/7/87)	819.38 (2/1)	1047.02 (17/7/87)	12.32 (8/7/32)
Utilities	200.48	201.12	200.71	202.10	204.87	204.17	227.83 (22/1/87)	191.39 (20/5)	227.83 (22/1/87)	10.5 (8/4/32)
Trading vol		178.05m	188.494m	190.893m	206.88m	210.88m	–	–	–	–

	July 17	July 10	June 26	Year Ago (Approx)
Ind Div Yield %	2.74	2.80	2.82	3.81

STANDARD AND POORS

	July 23	July 22	July 21	July 20	July 17	July 16	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	366.85	366.94	367.33	364.82	368.33	366.44	368.33 (17/7/87)	274.58 (2/1/87)	368.33 (17/7/87)	3.62 (21/6/32)
Composite	–	309.47	308.55	311.38	314.59	312.18	314.59 (17/7/87)	246.45 (2/1/87)	314.59 (17/7/87)	4.40 (1/6/32)

	July 16	July 9	July 2	Year Ago (Approx)
Ind div yield %	2.34	2.84	2.40	3.88
Ind. P/E Ratio	23.98	23.20	23.28	17.82
Long Gov Bond Yield	8.85	8.45	8.06	7.81

N.Y.S.E. ALL COMMON

July 23	July 22	July 21	July 20	1987 High	1987 Low
173.83	173.46	173.59	175.02	176.77 (22/6)	141.81 (21/1)

RISES AND FALLS

	July 22	July 21	July 20
Issues traded	1,985	1,980	1,985
Rises	674	487	513
Falls	854	1,076	1,088
Unchanged	437	417	372

TORONTO

	July 23	July 22	July 21	July 20	1987 High	1987 Low
Metals & Minls	3,945.8	3,183.78	3,158.7	3,213.8	3,264.48 (16/7/87)	1,988.2 (2/1/86)
Composite	3,923.9	3,940.30	3,953.6	3,976.1	3,988.19 (16/7/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	1,974.52	1,974.31	1,987.38	2,007.75	2,224.77 (18/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	July 23	July 22	July 21	July 20	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1985.3	1961.4	1973.3	1977.7	1985.3 (23/7)	1486.7 (2/2)
Metals & Min'ls (1/1/80)	1283.6	1244.2	1262.2	1269.1	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	215.42	224.13	229.22	214.80	230.60 (2/1)	182.21 (1/6)
BELGIUM						
Brussels SE (1/1/84)	5114.38	5098.60	(c)	(c)	5114.38 (23/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	203.5	203.39	203.61	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	610.5	607.6	605.3	597.3	610.5 (23/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	408.60	404.50	407.50	410.60	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	105.20	103.80	103.40	104.50	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	636.00	642.42	646.55	650.02	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1927.60	1952.2	1958.70	1969.90	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
HangSeng Bank (31/7/64)	3366.82	3,380.41	3353.78	3386.09	3386.09 (20/7)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	687.54	699.08	698.49	700.46	767.34 (30/4)	668.45 (14/7)
JAPAN**						
Nikkei (16/5/49)	23036.52	22,702.74	23,078.36	23,328.64	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	1918.19	1888.27	1915.64	1939.21	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	316.10	319.80	319.50	320.60	320.60 (20/7)	257.7 (28/1)
ANP CBS Indust. (1970)	268.40	271.60	269.60	271.00	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	460.57	459.29	459.38	457.25	460.57 (23/7)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1373.56	1,385.87	1394.26	1398.04	1398.04 (20/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2369.0	2363.0	2346.0	2290.0	2369.0 (23/7)	1786.0 (19/3)
JSE Indust (28/9/78)	2124.0	2118.0	2106.0	2069.0	2124.0 (23/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	262.70	262.01	263.07	264.39	264.39 (20/7)	202.89 (9/5)
SWEDEN						
Jacobson & P. (31/12/56)	2840.90	2826.60	2848.73	2867.80	2885.50 (17/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp (31/12/58)	655.3	651.5	646.8	650.6	655.3 (23/7)	599.7 (25/2)
WORLD						
M.S Capital Intl. (1/1/70)	(—)	447.0	450.5	454.4	480.30 (12/6)	361.3 (2/1)

**Saturday July 18: Nikkei Index: Closed.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.30p.m. Price	Change on Day
Southern Co	3,319,800	24⅝	−⅛
H. F. Ahmanson	1,813,300	19	−⅝
Digital Equipt	1,563,500	168⅞	+3¾
General Electric	1,376,700	56⅞	+⅞
AT&T	1,291,900	30⅝	−⅝
[illegible] Group	1,247,100	46	+1⅞
IBM	1,187,200	166¼	−1⅛
Ford Motor Co	1,158,800	103⅞	−3⅜
Foster Wheel.	1,112,200	23	+¾
GM	1,449,400	83⅞	−⅛

LONDON – Most Active Stocks
Thursday, July 23, 1987

	Stocks Traded	Closing Price	Change on Day
Gen Elect	19.9m	241	+1
Dee Corp	18.8m	225	−22
Brit Gas	17.8m	192	+½
BP	15.8m	379½	−3
Hanson Tr	13.8m	184	+2
Brit Telecom	8.5m	287	unch
Racal	8.3m	283½	+3½
Rls Royce	7.2m	115	−1
BAT	7.2m	635	−25
ASDA-MFI	7.1m	208	+2

TOKYO – Most Active Stocks
Thursday, July 23, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Steel	41.38m	315	+14
Kawasaki Steel	15.16m	246	+16
Nisshin Steel	13.39m	435	+23
Tokyo Steel	11.80m	1,630	+140
Matsushita Elec. Ind.	8.70m	2,280	+38
Tokyo Gas	8.70m	979	+54
Ishikawajima-Harima	8.42m	583	+11
Kayaba	7.34m	590	−16
Mitsubishi Heavy Ind.	6.85m	558	+14
Sanyo Electric	5.10m	510	−20

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

Stock	Div.	Sales (Hnds)	High	Low	Last	Chng
Valmt 1.44	64	189	38⅛	37⅞	37⅞	
Vicorp		169	10¼	10⅛	10¼	+⅛
ViewMs	15	1422	11⅛	10⅝	10⅞	−⅝
Viking	15	597	17¼	17	17⅛	+⅛
Vipont	66	271	17⅞	17⅝	17⅝	−¼
Viratks		2092	15½	14¾	14¾	−⅝
Volvo 1.24e		1208	66⅝	64¼	65¼	+2
W W						
WD 40 1.32a	21	132	31½	31	31½	
Walbro .40	11	46	24¼	23½	23¾	+¼
Waltlav .32e		201	11¾	11⅝	11⅝	
Warren		109	9¼	9⅛	9¼	+⅛
WashEn1.28	8	246	17¼	17	17⅛	−⅛
WFSLs .80	8	87	29½	29	29	−½
WMSBs .40	4	1093	35⅛	33⅝	34⅞	−1⅛
WatrfGl.44e	14	39	18¾	18⅝	18½	−⅝
Watsind.08a	16	55	21½	21¼	21½	
WausP .48	19	77	29½	29	29	−½
WbstFn		19	10⅞	10⅞	10⅞	
Welbilt	16	10	32½	32½	32½	+½
Westcp		55	7½	7⅜	7⅜	−⅛
WstAut	26	16	11¼	10¾	11¼	+⅛
WstCap	9	546	16	15½	15½	−¼
WstFSL.10e	4	1033	21	20½	20½	−⅜
WnWste	27	36	24⅝	24¼	24⅝	+½
WestPb	19	924	16⅛	16	16	−⅝
WTIA	12	98	17½	17¼	17½	+¼
Wetmrk		654	22⅜	22¼	22¼	−¼
WmorC .80	16	54	22¼	21½	21½	−¾
WstwOs	38	919	28⅝	27½	27½	−1
Wettra1.04b	17	279	48	47¼	48	+½
WilyJA 1.10	37	17	44½	43½	43½	+½
Wiliamt1.08	13	447	58	61½	61½	−½
WillAL	16	1241	19	18⅛	18⅝	−⅜
WllSFS		7	14¼	13⅜	13⅜	−¼
WilmTs .72	13	69	28⅛	27½	27½	−1
WilsnF	13	308	9⅜	9¼	9⅜	
Windmr	21	1130	11⅛	11½	11⅝	−¼
WiserO .40	204	188	21	20¼	20⅜	+⅜
Woburn .20		8	11⅛	11⅛	11⅛	−⅜
WCYS .10e		2180	13	12⅛	12¾	−⅛
WOW	12	1681	10⅞	d10	10½	−¼
Worthgs .36	21	319	21½	21⅛	21⅛	+¼
Wyman .80		52	18⅝	18¼	18⅝	+½
Wyse	20	3122	30⅞	30	30⅜	+⅛
X Y Z						
XL Dta	61	14	19⅛	19	19	+¼
XOMA		148	19¼	18½	19	−¼
Xicor		322	439 12⅞	12⅝	12⅞	+⅛
Xidex	44	2369	13	12⅞	12⅝	−⅜
Xylogic	17	438	14½	d13	13¾	−1
Xyvan	28	374	13	12¼	12½	−¼
YlowFs .82	21	1701	36⅜	35⅝	35⅞	+¼
vjZZBst		880	½	¼	½	
ZZBstwt		61	3-16	⅛	3-16	
ZenNtl .80	13	282	21½	21⅛	21½	−⅛
ZionUt 1.44		81	42¼	42	42¼	+¾
Zondvn		696	11⅝	10⅞	11½	+½

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES:

Treas. 8pc 2009	£89⅝	+⅝
Bejam	262	+12
Bick Arrow	325	+10
Goodman Bros.	93	+30
Harr. Queensway	219	+8
Lloyds Bnk	410	+12
Men-Swain	265	+17
Metal Clos.	236	+10
Perkins (J.) Meats	91	+15
Stan. Leis.	420	+35
Victor Prods	190	+48
Windsor Secs	93	+15

FALLS:

AMS Inds	63	−7
Arlen Elec	212	−13
BAT Inds.	635	−25
Dee Corp.	225	−22
Elbief	73	−8
First Nat. Finance	328	−9
Johns. Matthey	378	−15
Pearl	393	−10
Wilson (Conn.)	401	−17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR s	.50	1.6	21	76	32½	31¾	31¾	−⅞
37	22	ADT	.92	2.8	19	396	34	33¼	33¼	−⅝
30	16¾	AFG s	.16	.6	10	316	28⅝	28½	28½	−½
22⅝	8⅝	AGS s			16	622	17	16⅝	17	+⅜
11½	6¼	AMCA				5	9½	9½	9½	−⅛
9⅝	4⅞	AM Intl				770	7⅛	6⅞	7	−⅛
62⅞	47½	AMR			13	3626	59¾	59⅛	59⅝	+⅛
27½	24⅞	ANR pf 2.67		10.		4	26	26	26	
11¾	8	ARX s			12	17	10⅝	10½	10⅝	+⅛
73½	30⅝	ASA	2a	3.1		351	64⅞	64⅝	64⅞	−⅛
20	9¾	AVX		1.9	83	353	17⅞	16⅝	16½	−¼
67	41	AbtLab	1	1.6	24	2237	62⅝	60⅝	61⅝	−⅝
28	24⅝	AbitiBl g				684	25	d24½	24½	−⅜
28¾	16⅝	AccoWd s .44		1.5	28	60	28¾	28⅝	28⅝	−⅛
15⅝	9	AcmeC .40		2.9	10	118	14	13¾	13¾	−⅛
8⅝	6⅛	AcmeE .32b		4.1	30	10	7⅞	7⅞	7⅞	
23⅞	19	AdaEx 3.42e		16.		65	22¼	21⅝	21⅝	−½
19½	11⅝	AdmMl s .24		1.6	11	31	14¾	14⅝	14¾	+½
25⅞	12⅝	AdvSys .62t		2.6	17	54	23⅞	23½	23⅜	+⅜
24½	12⅞	AMD				5264	17⅜	16⅞	16⅞	
54¾	47	AMD pf	3	6.3		3	47¼	47¼	47¼	+¼
10¾	5¼	Adobe				156	10⅛	10	10⅛	
20½	13¾	Adob pf 1.84		9.7		43	19¼	18⅞	18⅞	−¼
[illegible]										

Continued on Page 43

هكذا من الاصل

WORLD STOCK MARKETS

AUSTRIA

July 23	Price Sch%	+ or −
Creditanstalt	2100.00	−110
Goesser	3045.00	−145
Interunfall	12160.00	−640
Jungbunzlauer	9000.00	−400
Laenderbank	1980.00	−100
Perlmooser	760.00	+10
Steyr-Daimler	130.00	+6
Veitscher Mag	855.00	−75

BELGIUM/LUXEMBOURG

July 23	Price Frs.	+ or −
B.B.L.	3340	+10
Banque Gen. Du L.	15300	
Bank Int. A	14300	
Bekaert B	11625	+25
Ciment CBR	6000	+50
Cockerill	160	−1
Delhaize	3790	+290
EBES	5180	+80
Fabrique Nat	1545	
GB Inno BM	1368	+26
GBL (Brux) L	3950	
Generale Bank	6740	
Gevaert	8050	+50
Hoboken	7890	−50
Intercom	4090	
Kredietbank	4795	−5
Pan Holdings	13050	+50
Petrofina	12750	+175
Raffinerie Tirle	1790	+25
Royale Belge	6190	−60
Soc Gen Belge	4055	−95
Sofina	15000	+50
Solvay	14200	+250
Stanwick Intl.	500	+50
Tractebel	8050	
UCB	11300	−100
Wagons Lits	5700	

DENMARK

July 23	Price Kr %	+ or −
Baltica Skand	955	+8
Cop Handelsbank	267	+1
D. Sukkerfab	283	+2
Den Danske Bank	348	+2
East Asiatic	183	+1
Forenede Bryg	805	−5
GNT Holding	228	−2
I.S.S.B. Systems	770	+10

GERMANY

July 23	Price Dm.	+ or −
AEG	317.80	−5.7
Allianz Vers	1955.00	−26
BASF	309.50	−2.5
Bayer	340.00	−2.5
Bayer-Hypo	445.00	+3
Bayer-Verein	442.00	−6
BHF-Bank	460.00	−6
BMW	691.00	−4
Brown Boveri	320.00	−4.5
Commerzbank	283.00	−5
Cont'l Gummi	354.00	−2.8
Daimler-Benz	1137.00	−9
Degussa	539.00	−6
D'sche Babcock	234.00	−3
Deutsche Bank	638.50	−10.5
Dresdner Bank	332.50	−5
Feldmuehle Nobel	318.80	+1.3
Henkel	555.00	+2
Hochtief	668.00	−7
Hoechst	319.00	−1.5
Hoesch Werke	125.50	+0.5
Holzmann (P)	436.00	+4
Horten	237.00	−1.5
Hussel	594.00	+4
Karstadt	497.00	−3.5
Kaufhof	488.80	−0.4
KHD	166.70	−2.3
Kloeckner	158.50	−1
Linde	734.00	−11
Lufthansa	185.50	−0.5
MAN	184.00	−3.5
Mannesmann	167.00	−3.5
Mercedes Hld.	972.00	−12
Metallgesell	368.00	+5
Muench Rueck	2050	−35
Nixdorf	838.00	−1
Porsche	990.00	−0.5
Preussag	190.20	−7.8
Rhein West Elect.	233.00	−2.2
Rosenthal	279.50	−0.5
Schering	604.00	+2
Siemens	671.00	−6
Thyssen	129.70	−1.3
Varta	358.00	
Veba	308.00	−3
V.E.W.	161.00	−3
Verein-West	426	
Volkswagen	381.00	−12

ITALY

SPAIN

SWEDEN

July 23	Price Kronor	+ or −
Astra (Free)	290.00	−10
Atlas Copco	175.00	−1
Beijer A Fria	229	
Cardo (Free)	260.00	
Cellulosa	362.00	+3
Electrolux B	302.00	−1
Ericsson	251.00	+1
Esselte	180.00	+1
Mo Och Domsjo	388.00	+3
Pharmacia	208.00	+1
Saab-Scania (Free)	640.00	−2
Sandvik	179.00	
Skandia Ins.	162.00	+1
Skandia Intl.	244.00	+1
Skan Enskilda	135.00	+1
SKF	352.00	
St. Kopparbergs	398.00	+3
Svka Handelsbn	478.00	+2
Swedish Match	104	
Volvo B (Free)	350.00	+8

SWITZERLAND

July 23	Price Frs.	+ or −
Adia Intl.	11800	−200
Alusuisse	745	−15
Bank Leu	3600	+10
Brown Boveri	2480	+5
Ciba Geigy	3850	−25
do. (PtCts)	2660	
Credit Suisse	3300	
Elektrowatt	3825	−25
Fischer (Geo.)	1540	−10
Hoff-Roche (Pt Cts)	149000	+4000
Hoff-Roche 1/10	14600	+125
Jacobs Suchard	9775	+175
Jelmoli	3840	+5
Landis & Gyr	1705	−15
Nestle	10900	+50
Oer-Buhrle	1410	−20
Pargesa Hldg	2360	−30
Pirelli	437	−3
Sandoz (Br)	14150	+50
Sandoz (PtCts)	2270	+35
Schindler (PtCts)	781	−1
Sika	1600	
Surveillance	6485	
Swissair	1400	
Swiss Bank	488	−3
Swiss Reinsce	18000	
Swiss Volksbk	2300	−10
Union Bank	4875	−50
Winterthur	6825	
Zurich Ins	7150	+25

AUSTRALIA

July 23	Price Aust$	+ or −
ACI Int.	4.30	
A.F.P.	3.25	
Adelaide Steams	8.70	
Amcor	4.70	
ANZ Group	4.32	
Ampol Pet	3.90	
Ariadne Aust	2.84	
Ashton	3.90	
Aust Guarant	2.80	

HONG KONG

July 23	Price H.K.$	+ or −
Bank East Asia	31.75	−0.75
Cathy Pacific	6.70	−0.15
Cheung Kong	12.60	
China Light	25.20	+0.3
Evergo	0.69	−0.01
Hang Lung	15.60	−0.3
Hang Seng Bank	48.00	−0.5
Henderson Land	7.05	
Hong Kong China	20.10	
HK Electric	9.40	+0.05
HK Land	7.40	−0.05
HK Shanghai Bank	9.80	
HK Telephone	12.70	−0.2
Hutchison Wpa	13.60	
Indust Equity P	26.20	−0.3
Jardine Math	19.00	+0.2
New World Dev	13.60	−0.3
SHK Props	17.80	+0.1
Shell Elec. Mfg	1.38	−0.02
Swire Pac A	25.00	+0.1
TV-B	15.00	+0.2
Wharf Hldgs	9.40	−0.2
Windsor Ind.	14.50	−0.1
World Int. Hldgs	4.47	−0.1

JAPAN

July 23	Price Yen	+ or −
Ajinomoto	3110	
All Nippon Air	1810	
Alps Electric	2520	
Asahi Chemicals	1070	
Asahi Glass	1760	
Bank Tokyo	1590	
Bridgestone	950	
Brother Inds.	629	
Canon	895	
Casio Computers	1230	
Chugai Pharm	1850	
Daiei	1770	
Dai Ichi Kan Bank	3000	
Dai Nippon Ink	730	
Dai Nippon Ptg	1900	
Daiwa House	2290	
Daiwa Sec	2690	
Eisai	2190	
Fanuc	5700	
Fuji Bank	2920	
Fuji Film	3600	
Fujisawa	2220	
Fujitsu	1070	
Furukawa Elect	625	
Green Cross	2940	
Heiwa Real Est	1900	
Hitachi	1080	
Hitachi Credit	1590	
Honda	1480	
Indl Bank Japan	3890	
Ishikawajima Ha	593	
Isuzu Motors	375	
Itoh (C)	680	
Ito Yokado	4000	
JAL	12900	
Jusco	1500	

JAPAN (Continued)

July 23	Price Yen	+ or −
Nippon Seiko	555	+6
Nippon Shinpan	1370	−20
Nippon Steel	315	+14
Nippon Suisan	575	−12
Nippon Yusen	539	+4
Nissan Motor	654	+3
Nisshin Flour	1200	
Nomura	4280	+260
Olympus	1090	
Onoda Cement	637	+6
Orient Finance	1560	+70
Orient Leasing	3550	
Pioneer	3100	+70
Ricoh	990	−20
Sankyo	1740	
Sanwa Bank	2580	−40
Sanyo Elect.	510	−20
Sapporo	1950	+90
Sekisui House	2330	+80
Seven-Eleven	7590	−20
Sharp	1390	
Shimizu Const.	884	+29
Shionogi	1670	+60
Shiseido	2060	+50
Showa Denko	564	+11
Sony	4090	+30
S'tomo Bank	3500	+200
Sumitomo Chem	790	+1
Sumitomo Corp.	940	+5
S'tomo Elect.	1560	+10
S'tomo Metal	215	+6
Taisei Corp	1000	+41
Taisho Marine	1130	+70
Taiyo Kobe Bank	1420	+10
Takeda	2900	+100
TDK	4770	+120
Teijin	760	−8
Toa Nenryo Kyo	2070	+10
Tokai Bank	2000	
Tokyo Marine	2060	+100
Tokyo Elect Pwr.	5810	+210
Tokyo Gas	979	+54
Tokyu Corp	1430	+40
Toppan Print	1450	−40
Toray	658	+8
Toshiba Elect.	585	−11
Toyo Seikan	2520	−30
Toyota Motor	1730	
UBE Inds.	420	+20
Victor	3180	+30
Yamaha	840	+10
Yamaichi Sec.	2240	+130
Yamanouchi	4440	+180
Yamazaki	1490	−80
Yasuda Fire	1100	+40

SINGAPORE

July 23	Price $	+ or −
Boustead Hldgs	2.35	
Cerebos Pacific	6.45	
Cold Storage	4.84	
DBS	15.50	
Genting	7.00	
Haw Par Bros	5.80	

SOUTH AFRICA

CANADA

TORONTO

Closing prices July 23

MONTREAL

Closing prices July 23

NEW YORK

Indices

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Treas. 8pc 2009	£89⁹⁄₁₆	+⁵⁄₁₆
Bejam	262	+12
Bick Arrow	325	+10
Goodman Bros.	93	+30
Harr. Queensway	219	+8
Lloyds Bnk	410	+12
Men-Swain	265	+17
Metal Clos.	236	+10
Perkins (J.) Meats	91	+15
Stan. Leis.	420	+35
Victor Prods	190	+48
Windsor Secs	93	+15

FALLS:		
AMS Inds	63	−7
Arlen Elec	212	−12
BAT Inds.	635	−25
Dee Corp.	225	−22
Elbief	73	−8
First Nat. Finance	328	−9
Johns. Matthet	378	−15
Pearl	393	−10
Wilson (Conn.)	461	−17

حركة مي الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
77	58¾	Pfizer	1.60	2.5	17	2204	72⅝	71⅝	71¾	
44	16	PhelpD			29	1729	u44⅛	43⅞	43⅞	+⅛
64	51	PhlpD pf3.40		5.3		364	64	63¾	64	+¼
25	19⅛	PhilaEl2.20		10.	9	2175	22¼	21⅞	21⅞	−¼
43⅞	38	PhE	pfA3.80	9.5		z240	40	39	40	−½
54	43	PhE	pfD4.68	9.8		z100	48	48	48	+1½
87⅛	80⅛	PhE	pfG8.75	10.		z320	85½	84	85½	+½
13⅞	12⅛	PhE	pfR1.41	11.		24	12⅞	12¾	12⅞	+⅝
13¼	11⅛	PhE	pfP1.33	11.		31	12	11⅞	11⅞	−⅛
88⅝	72	PhE	pfH7.85	10.		z200	76½	76½	76½	
12⅞	11	PhE	pfO1.28	11.		92	11½	11⅜	11½	
103	85	PhE	pfK9.60	10.		z1370	90⅞	90	90⅞	+⅞
88	72½	PhE	pfJ7.80	10.		z100	77	77	77	
85	71½	PhE	pfI7.75	10.		z50	75½	75½	75½	+1¼
19¾	14⅝	PhilSb s .94		6.1	13	75	15¾	15½	15½	−¼
98¾	63	PhilMr	3	3.1	14	7378	96⅝	94¾	95⅝	−½
22½	13	Philipl s .44		2.0	17	1129	22½	21⅝	22¼	+½
27⅞	18⅝	PhilGl	.80e	3.0	12	181	26¼	26⅛	26¼	
18¾	8¼	PhilPet	.60	3.5	48	4106	17¾	17⅜	17⅜	−⅜
24¾	19¼	PhlPt	pf1.73	7.1		4	24⅝	24½	24½	−¼
25¾	15⅛	PhlVH s .28		1.1	18	2482	25¼	24½	24¾	−⅜
13½	5⅞	Phlcorp n				305	6⅛	5⅞	6⅛	+¼
71	36⅝	PiedAv .32		.5	17	13	68	68	68	
24¼	18⅝	PiedNG1.32		6.7	11	18	22½	22¼	22¼	−⅛
14⅝	6¼	Pier 1			30	272	13⅝	13⅜	13⅜	−¼
10¾	7¼	PilgRg .26e		3.3		156	8	7⅞	7⅞	
15⅝	7⅞	PilgPr n.02e		.3	6	704	8	7⅞	8	
46⅝	32⅜	Pillsby s	1	2.2	21	8133	45⅝	44⅝	45	
33¾	27½	PinWst2.60		8.5	10	1489	31¾	31⅜	31¾	+⅛
42½	22¼	PionrEl .13e		.3	98	103	40⅝	40¼	40¼	−½
46⅛	27⅛	PitnyB s .76		1.8	19	2339	42¼	41¾	42¼	+¼
16½	10½	Pittstn			47	1624	16¼	15½	16	+¼
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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52¼	34½	SeaC pfD4.12		8.2		198	50⅝	49⅝	50⅝	+⅞
80	37⅜	Seagrm	1	1.3	17	2040	77¼	75¾	75½	−1½
24⅛	12⅛	Seagul			12	20	22¾	22⅝	22⅝	−¼
52¼	33⅛	SealAir .52		1.0	21	163	50	49¾	49¾	
39¼	23⅝	SealPw1.10		3.0	14	136	36⅝	36	36¼	−⅜
56	39	Sears	2	3.8	14	6710	53⅛	51⅝	52	−1
42½	32	SecPac1.80		4.3	27	1786	41½	41⅛	41½	+¼
80	65	SequaA15e		.2	15	147	78⅞	77½	77⅞	−⅛
82	66¼	SequaB12e		.2	13	154	80	79½	79½	−1
31⅞	19⅛	SvcCp s .40		1.4	23	833	28⅝	27⅞	28⅝	+⅜

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
44½	19⅛	UCCEL			36	291	40⅝	39⅝	39⅝	
27⅞	17¼	UDC s	2.20	12.	6	166	19⅝	18¾	18⅞	
32	24	UGI	2.04	7.3	13	37	28	27¾	28	+⅛
11¼	8¼	UNCInc			15	184	10¼	10	10⅛	
31⅜	20⅝	UNUM n.30e		1.3		2087	23⅝	23	23	−⅛
21⅞	14⅝	URS			17	222	18½	18	18	−¼
49¾	36¼	USFG	2.48	6.4	9	2561	39¼	38⅝	38⅞	−⅜
62	50½	USFG pf4.10		7.8		168	52¾	d52⅝	52⅝	−⅛
48½	31	USG	1.12	3.2	6	956	36½	35¼	35⅝	−⅝

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28⅞	21½	XTRA	.64	2.3		179	27⅝	27¼	27⅝	
27⅞	15	Yorkla			13	129	27	26½	26½	−½
7¼	2¼	Zapata				1255	6	5⅝	6	−¼
36¾	20¾	Zayre	.40	1.4	18	10858	30⅝	28⅝	29⅝	−1¼
14⅞	9⅝	Zemex	.40	3.0	8	23	13¼	13	13⅛	+⅛
29⅝	16⅞	ZenithE				2981	27½	26⅝	27¼	+¾
13½	6	ZenLab				869	9⅞	9⅝	9¾	
19½	12⅝	Zero	.36	2.1	17	298	17	16½	17	+⅛
28½	16⅝	Zurnin s			29	324	28⅝	27	28¼	+1½
10⅝	8¾	Zweig n.68e		6.4		1752	10⅛	10	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

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OVER-THE-COUNTER Nasdaq national market, closing prices

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We regret that this listing is incomplete due to transmission problems by AP.

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Slow progress amid lacklustre credit markets

WALL STREET

DRIFTING in company with lacklustre credit markets, Wall Street stock prices finished little changed in moderate trading yesterday, *writes Roderick Oram in New York.*

Bond prices followed the trend of the dollar, falling as the currency weakened but recovering with it later in the afternoon to end virtually unchanged.

The Dow Jones industrial average closed up 1.76 points at 2,471.94 after moving in a band of about 10 points either side of its previous close. For the second day running broader market indices were fractionally weaker than the blue chips with the Standard & Poor's 500 index slipping 0.66 to 307.81 and the New York Stock Exchange composite off 0.42 at 173.03.

NYSE volume was 163.7m shares with the number of declining issues outnumbering those advancing by a three-to-two ratio.

The market was somewhat disappointed by a smaller-than-expected increase in profits from Ford Motor which fell $2½ to $103⅞ after reporting second-quarter profits of $5.81 a share against $4.02 a year earlier. GM, in contrast, rose $1⅛ to $85⅝ on earnings of $2.80 a share against $2.92.

The airline sector turned in some sparkling results. Delta Air Lines, up $⅞ to $54, had fourth-quarter profits of $1.21 against 55 cents, taking full-year earnings to $5.90 against $1.18. It also boosted its quarterly dividend by 5 cents a share to 30 cents. USAir added $1⅛ to $45⅝ on quarterly income of $2.33 compared with $1.08.

Other airlines were mixed. NWA gained $2 to $70⅞, AMR added $¼ to $59⅝, TWA, which is the object of an offer to go private at about $36 to $38 a share, edged down $½ to $33⅜ and Texas Air gave up $¼ to $32½.

Among financial institutions reporting heavy losses, BankAmerica lost $⅛ to $10⅞ and Financial Corp. of America, parent of the largest savings and loan in the country, slipped $⅛ to $3⅞.

Data General added $⅜ to $30⅝. The computer maker said its quarterly losses expanded to $65m, including restructuring charges. It announced yesterday further measures such as the closing of three plants and the elimination of 950 jobs.

Texaco added $½ to $46½ and Pennzoil fell $2¼ to $74¾. Texaco's case in the legal battle between the two oil groups was boosted by a Securities and Exchange Commission court brief saying Pennzoil had broken federal securities laws in a takeover subsequently thwarted by Texaco.

Salomon Inc added $¼ to $32½ after reporting a steep decline in profits because of this spring's bond market rout. Morgan Stanley rose a further $⅝ to $69⅝ following Wednesday's news of higher profits.

Companies reporting lower profits included Ashland Oil, unchanged at $67¼, General Signal, off $¼ at $55, Times Mirror, down $¾ to $93¾, and Sundstrand, off $2½ to $55.

In the credit markets, bond prices opened a shade weaker after losing ground overnight abroad. They benefited briefly from the durable goods figures which were somewhat stronger than expected. The 1.4 per cent rise in June, however, compared with forecasts of no change or a slight fall, was due entirely to defence orders.

As the dollar slipped further during the morning to just above the Y150 level, bonds lost more ground but pulled back with the US currency during the afternoon. The benchmark 8.75 per cent Treasury long bond was up 1/16 of a point at the close at 99⅝ yielding 8.78 per cent.

The uncertain mood of the markets was fed by the continuing impasse in Congress over raising the federal Government's debt ceiling. The White House intervened yesterday, urging Congress to act quickly. The Treasury can not auction any securities until the ceiling is raised.

CANADA

STRONG metals underpinned a slight recovery in Toronto. Active stocks included Falconbridge, up C$⅝ to C$26⅜, Inco, C$⅛ ahead at C$26⅛, and Cominco, which gained C$⅜ to C$20.

Among companies reporting results, Bell Canada eased C$⅛ to C$41⅝ on unchanged second-quarter earnings.

Shell Canada was down C$¼ at C$47⅝ on higher second-quarter profit overall but lower earnings from oil products.

Ford Motor of Canada, recording a C$42m South African writedown that cut into second-quarter profit, lost C$¼ to C$149⅜.

Montreal moved lower, but Vancouver rose.

SOUTH AFRICA

GOLD shares edged higher despite the dip in the bullion price, and industrials forged further ahead to take Johannesburg prices further into record territory.

The gold index added 6 to hit its third successive peak at 2,369. Bellwether Vaal Reefs was R8 higher at an all-time high of R497 while Randfontein closed R5 up at R460.

Among similarly firm miners, Rustenburg gained 50 cents to equal its all-time high of R61. De Beers firmed by R1.5 to R49.25. Mining houses were mixed.

Industrials continued their two-week record run, with the sector index adding 7 to a peak of 2,125. South African Breweries picked up 20 cents to a high of R14.25.

Michael Donne profiles the man behind the latest UK privatisation

BAA chief heralds a new era

AS BAA, formerly the British Airports Authority, completes its long-planned move into the private sector, the happiest man is undoubtedly Sir Norman Payne, its chairman, who has been associated with the organisation throughout its existence.

When he joined as director of engineering at its inception in 1965, BAA handled only a fraction of its current 53m passengers a year.

Today, after more than 20 years of consistent profitability, the company stands on the threshold of a new era. Not only will there be even greater expansion, with the volume of air travel expected to double between now and the end of this century, but also greater freedom to move into new areas that hitherto have been little more than dreams.

Gearing for that expansion has been Sir Norman Payne's primary task. BAA is the first state-owned airport organisation in the world to be privatised and the biggest single airport organisation, with seven airports under its control. Dealings in BAA shares begin in London on Tuesday.

Even before he joined BAA, Sir Norman was a partner with Sir Frederick Snow and Partners, the civil engineers, in airport and industrial consultancy, when one of his major tasks was the construction of Gatwick airport, to the south of the capital.

From being director of engineering for BAA, he became director of planning in 1969, chief executive in 1972 and chairman in 1977.

Sir Norman is the epitome of the technical man turned administrator but has never lost sight of the former.

He is almost a walking encyclopaedia on the seven airports under his control. During the long public inquiry a few years ago into whether Stansted should be developed as London's third airport, Sir Norman proved able to answer the most diverse and difficult questions with exceptional fluency.

He has strong ideas about the future of the airports under his command and, now that BAA is commercially free to develop them, some perhaps surprising concepts are likely to emerge.

He believes airports are unrivalled focal points, with their capacity to attract millions of people a year. While most users are just passing through, Sir Norman feels much can be done to make that passage more pleasant.

While the airport traffic side must be run with utmost precision, he also believes much more can be done on the commercial side, handling passengers and their "meeters and greeters."

It is Sir Norman's ambition to provide passengers with the smoothest and most pleasant stay possible, as the designs for the new terminal at Stansted, to the north-east of London, demonstrate.

As for the "meeters and greeters," a humdrum visit to the airport could be turned into a "day out," with the introduction of such amenities as shopping malls. This would, of course, have the added advantage of increasing BAA's income and profits.

Sir Norman feels strongly that much of the criticism levelled at airports worldwide over noise, pollution and sprawl can be alleviated by enlightened developments in other directions.

How far he will go in such directions remains to be seen, but what is already clear is that BAA is already lined up for a period of expansion that could be even more dramatic than that seen over the past 20 years.

A smiling Sir Norman at the share launch

EUROPE

Blue chips gain as Brussels hits record

TECHNICAL factors pushed up demand for Belgian and French shares yesterday, lifting Brussels to another record while Paris continued its recovery. Elsewhere in Europe, the trend was generally lower in fairly subdued activity.

Brussels attracted strong buying from both foreign and local investors as the new two-week trading cycle began. In heavy turnover almost across the board, leading blue chips attracted particular attention. The stock exchange index climbed 15.76 to a peak of 5,114.38.

Market leader Petrofina gained BFr 175 to BFr 12,750 while chemical stock Solvay, a foreign favourite, was also strong, adding BFr 250 to BFr 14,200.

Also in chemicals, UCB put on BFr 25 to BFr 11,425, and Gevaert rose BFr 50 to BFr 8,050.

Banks were narrowly mixed, but Réserve, the stock of holding company Société Générale de Belgique, lost BFr 90 to BFr 4,055. Supermarket groups GB-Inno and Delhaize added BFr 24 and BFr 390 to BFr 1,370 and BFr 3,790 respectively.

Paris moved higher as the bourse accounting month came to an end, and institutional investors took up positions for the new trading cycle. Thomson's deal to buy the RCA consumer electronics business from General Electric of the US also helped to lift spirits.

The Indicateur de Tendance rose 1.40 to 105.20.

Thomson-CSF shares rose FFr 37 to FFr 1,348.

Other gains included Imetal, FFr 6.50 ahead at a year's high of FFr 167, Maisons Phénix, up FFr 3 at FFr 81, and Bouygues, which added FFr 25 to FFr 1,155. Oils tended lower.

Frankfurt fell again under pressure from foreign selling, in particular by US investors, and a weak bond market. The Commerzbank index lost 24.6 at 1,927.6 in fairly thin trading.

Banks lost out badly in anticipation of their half-year figures. Deutsche Bank was DM 10.50 down at DM 638.50 while both Dresdner and Commerzbank fell DM 5 to DM 332.50 and DM 283 respectively.

In electronics, Siemens lost DM 6 to DM 671, and Nixdorf, which reported a 13 per cent increase in first half world sales, eased DM 1 to DM 838.

The retail sector saw Massa fall back DM 10 to DM 479 after jumping in pre-bourse trading. After the bourse closed, Asko said it would buy a 24.9 per cent stake in Massa.

Sports group Puma, which said it was omitting a dividend on 1986 results because of US losses, fell DM 7 to DM 404.

Bonds fell in an active session with longs ending about 30 pfg lower. The Bundesbank bought DM 112.3m worth of paper after buying DM 12.7m on Wednesday.

Amsterdam ended lower after a lack-lustre session. The ANP-CBS general index shed 3.7 to 316.1.

Most internationals fell on profit-taking, but Philips edged up 20 cents to Fl 54.80.

Among publishers, Elsevier added 10 cents to Fl 54.90, Wolters Samsom gained 50 cents to Fl 122.50 and Kluwer was unchanged at Fl 405.

Zurich again finished mixed. Financials were mainly under pressure, but selected blue chips gained.

Nestlé was up SFr 50 at SFr 10,900 after saying it expected net profits to remain steady this year despite a 13 per cent sales fall in the first half.

Chemical Sandoz also attracted demand, rising SFr 30 to SFr 14,150. It has signed a co-operation deal with Incstar of Minnesota.

Stockholm picked up on fresh interest and reports that the budget deficit for the last fiscal year was much lower than government forecasts.

Volvo, which has won a SKr 220m Peruvian bus order, climbed SKr 8 to SKr 350.

Oslo shrugged off profit-taking to rise again. Norsk Hydro gained NKr 7 to NKr 239 after reporting sharply higher profits.

Madrid was up slightly in speculative trading, but Milan fell back.

LONDON

A STEADY performance by sterling helped the UK securities markets to stand up to further selling pressure yesterday.

Equities, encouraged by small gains in government bonds, recovered much of an early fall which reflected the painful pressure on market makers' trading books.

The FT-SE 100 index ended 4.3 down at 2,340.2, and the FT Ordinary gained 3.7 to 1,836.1. Details, Page 40

ASIA

Consumer stocks lead broad recovery

TOKYO

STRONG DEMAND for consumer stocks in Tokyo yesterday led share prices higher for the first time in five trading days running, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 select issues closed up 333.78 points at 23,036.52 after having slipped below 22,500 shortly after the opening of afternoon trading. Volume rose slightly to 482.01m shares from Wednesday's 421.37m. Advances outpaced declines by 458 to 431, with 138 issues unchanged.

Traders in Tokyo's financial district said they were briefly unable to carry out transactions due to a power failure across the city.

The market lacked vigour in morning trading, depressed by persistent small-lot selling. In afternoon trading, however, Nomura Securities Investment Trust Management bought domestic demand-related stocks, sparking a strong wave of buying.

Nomura's managing director, Mr Akio Yamamoto, said the company bought in the belief that the market had bottomed out. He noted that the price index of large-capital stocks had fallen some 20 per cent from its peak in April and that the market had been undergoing a correction for three months.

Nomura Securities Investment Trust Management bought Y30bn worth of large-capital stocks - such as Nippon Steel and Tokyo Electric Power - and construction, properties, pharmaceuticals and other domestic demand-related stocks, Mr Yamamoto said.

Buying revived in large-capitals. Nippon Steel topped the active list with 41.36m shares changing hands and ended Y14 higher at Y315 after losing Y10 to Y291 at one point.

Kawasaki Steel, the second-busiest issue with 15.16m shares traded, rose Y15 to Y245, Ishikawajima-Harima Heavy Industries rose Y11 to Y593 and Mitsubishi Heavy Industries Y14 to Y558.

Tokyo Steel, on trade of 11.81m shares, surged Y140 to Y1,630 on the strength of the recovering rolled steel market.

Power and gas utilities performed strongly. Tokyo Electric Power rebounded from recent losses to finish Y210 higher at Y5,810. Kansai Electric Power added Y90 to Y3,000 and Tokyo Gas Y34 to Y970.

Financial issues turned higher. Nomura Securities dipped Y40 in the mid-morning but closed Y250 higher at Y4,280. Sumitomo Bank jumped Y200 to Y3,500 and Mitsubishi Trust and Banking Y100 to Y3,750.

Properties were also steady, with Mitsubishi Estate and Taisei Corp, advancing Y120 and Y41 to Y2,500 and Y1,000 respectively.

High-technology stocks attracted buyers, with Matsushita Electric Industrial adding Y30 to Y2,280, TDK Y120 to Y4,770 and Sony Y20 to Y4,090.

However, yesterday's sharp rally rested on small-lot buying and few market players expect a smooth upward run.

Bond trading was lacklustre. Participants were discouraged by press reports that the Bank of Japan would allow a 0.3 percentage point increase in the long-term prime lending rate to 5.2 per cent.

The yield on the benchmark 5.1 per cent government bond, falling due in June 1996, fell to 4.720 per cent briefly from 4.770 per cent at Wednesday's close.

The yield then turned up, ending yesterday's trading at 4.830 per cent. In over-the-counter trading later, the yield on the benchmark issue rose further, reaching 4.875 per cent.

HONG KONG

LOWER than forecast earnings from the Wharf group served to depress Hong Kong share prices in active trade. The Hang Seng index fell 13.59 to 3,366.82.

Wharf closed 40 cents off at HK$9.40. Properties and trading companies fell back. Utilities and banks closed mixed.

Swire Pacific 'A', however, posted a 10-cent gain to HK$25.00, and Jardine Matheson was 20 cents higher at HK$19.00.

AUSTRALIA

A RUSH for resource and gold issues on the back of stronger bullion and base metal prices lifted Sydney share prices to record levels. The All Ordinaries index added 23.8 to close at a peak of 1,985.3, beating by 7.6 the previous high reached on July 20.

Golds advanced strongly, with the sector index 120.5 higher at 3,677.5. Whim Creek featured with a A$1 rise to A$13.00. Renison was 60 cents higher at A$12.20.

Buoyant copper prices helped MIM up 13 cents to A$2.80 amid a scramble for resource issues. Bougainville added 10 cents to A$4.78 and Western Mining 36 cents to A$8.80. Elders IXL jumped 28 cents to A$5.10. It unwound its cross share holdings with Goodman Fielder.

BHP closed 10 cents higher at A$10.55 in busy trade. Bell Resources was unchanged at A$5.10.

SINGAPORE

DEPRESSED both by a technical correction to the market's recent surge and by news that the stock exchange is unwilling to requote First Capital shares which were suspended on Tuesday, Singapore prices fell broadly and sharply. The Straits Times industrial index lost 12.31 to 1,373.50.

Losses included a 40-cent dip by OCBC to S$10.40 and a 16-cent fall by Jurong Engineering to S$4.36. Singapore Land was off 15 cents at S$8.65.

Actives included Faber Merlin, up 1.5 cents to 98.5 cents on 4.8m shares, and Chuan Hup, down 12 cents to S$2.33 on 1.75m shares.

Singapore deals blow to foreign brokers

By Roger Matthews in Singapore

THE STOCK EXCHANGE of Singapore has ruled out for the time being any further foreign participation in local stockbroking firms.

No reason has been given for the decision, which came as a blow to those hoping that deregulation would be more emphatically embraced.

The exchange has so far approved seven applications, and it had been widely expected that at least one more would be agreed almost immediately. However, the four remaining applicants have now been told that their bids were unsuccessful.

The four are: Cathay Securities with Vickers da Costa, Alliance Securities with First Pacific Securities, Pacific Union with Barclays de Zoete Wedd, and Lee and Co with Bank of East Asia.

The stock exchange said that "for the present" it would not consider further applications.

Two factors are thought to underlie the exchange's decision. The first is a desire to ensure that local firms are not overwhelmed by the foreign presence and that the exchange develops "broadly and prudently," as one broker put it.

Second, the bourse would prefer foreign applicants to link up with those local firms still suffering from the effects of the Pan Electric debacle of nearly two years ago.

There is also little fear among the Singapore authorities that the foreign applicants will lose interest and look elsewhere.

The stock exchange is meanwhile seeking ways to stimulate interest in Sesdaq (Stock Exchange of Singapore Dealing and Automated Quotation), its unlisted securities market, which was launched with high hopes in February. After an initial flurry this market has been overshadowed by the main board, with customers complaining of mounting difficulties in making contact with the market makers or of obtaining realistic quotes from them.

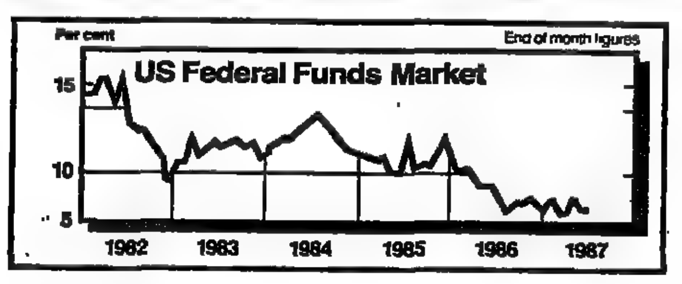
Sesdaq is scripless and screen-based. It relies on competitive market making rather than the auction system used on the main exchange.

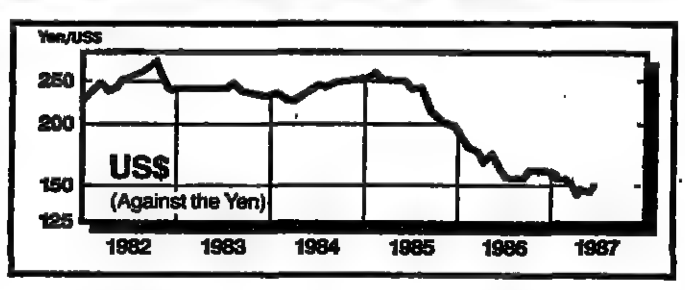
From August 1 several measures are to be introduced in an attempt to make trading easier although their impact will probably be limited until there is a larger and more interesting range of quoted companies.

Several of the new measures will affect the market makers. From August they will have to limit the spread between bid and offer quotes to not more than 5 per cent and will have to quote for a minimum of 2,000 shares, as against the present 500. They are also being asked to provide at least two telephone lines dedicated solely to Sesdaq business.

The main concessions for investors are that they will no longer have to open scrip accounts with the central depository before purchasing shares and they will not be obliged to sell shares through the same market maker from which they were bought.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 23	Prev	Year ago
NEW YORK			
DJ Industrials	2,471.94	2,470.18	1,795.37
DJ Transport	1,047.42	1,040.31	726.38
DJ Utilities	200.46	201.12	205.42
S&P Comp.	(-)	308.47	236.67
LONDON FT			
Ord	1,836.1	1,832.4	1,264.2
SE 100	2,340.2	2,344.5	1,572.30
A All-share	1,188.19	1,191.64	769.93
A 500	1,310.59	1,315.07	841.68
Gold mines	447.5	446.3	195.9
A Long gilt	9.35	9.38	9.59
World Act. Ind (July 21)	125.87	126.73	92.02
TOKYO			
Nikkei	23,036.52	22,702.74	17,850.1
Tokyo SE	1,918.19	1,889.27	1,421.51
AUSTRALIA			
All Ord.	1,985.3	1,961.4	1,137.7
Metals & Mins	1,293.6	1,242.2	502.1
AUSTRIA			
Credit Aktien	215.42	224.13	232.96
BELGIUM SE	5,114.30	5,098.60	3,636.08
CANADA			
Toronto			
Met & Mins	3,946.0	3,163.7	2,016.0
Composite	3,233.9	3,940.3	2,988.5
Montreal			
Portfolio	1,974.62	1,974.31	1,487.1
DENMARK SE			
SE	(-)	203.05	205.68
FRANCE			
CAC Gen	408.60	404.50	367.1
Ind. Tendance	105.20	103.80	86.95
WEST GERMANY			
FAZ-Aktien	636.00	642.42	594.82
Commerzbank	1,927.60	1,952.20	1,788.8
HONG KONG Hang Seng	3,366.82	3,380.41	1,816.99
ITALY Banca Comm.	667.54	699.08	692.11
NETHERLANDS ANP CBS			
Gen	316.10	319.80	284.3
Ind	268.40	271.60	284.4
NORWAY Oslo SE	460.57	469.29	345.89
SINGAPORE Straits Times	1,373.50	1,385.80	725.24
SOUTH AFRICA JSE			
Golds	2,369.0	2,346.0	1,297.1
Industrials	2,118.0	2,106.0	1,215.5
SPAIN Madrid SE	262.70	262.01	172.18
SWEDEN J&P	2,840.90	2,826.60	2,475.27
SWITZERLAND Swiss Bank Ind	655.30	651.50	502.0

COMMODITIES (London)

	July 23	Prev
Silver (spot fixing)	n/a	453.95p
Copper (cash)	£1,067.0	£1,065.00
Coffee (July)	£1,244.00	£1,245.00
Oil (Brent Blend)	$20.00	$20.025

GOLD ($/oz)

	July 23	Prev
London	$454.75	$454.75
Zurich	$454.45	$455.25
Paris (fixing)	$452.30	$451.11
Luxembourg	$455.33	$454.35
New York (August)	$455.70	$456.70

CURRENCIES (London)

	US DOLLAR July 23	Previous	STERLING July 23	Previous
£	—	—	1.6045	1.5945
DM	1.8625	1.8630	2.975	2.97
Yen	150.55	152.30	241.75	242.75
FFr	6.1660	6.1975	9.905	9.8825
SFr	1.5360	1.5450	2.465	2.4625
Fl	2.0865	2.0975	3.3525	3.345
Lira	1,342.5	1,348	2,153.25	2,146.25
BFr	38.46	38.60	61.70	61.55
C$	1.33275	1.3205	2.1305	2.1070

INTEREST RATES

	July 23	Prev
Euro-currencies (3-month offered rate)		
£	9⅛	9⅜
SFr	3⅞	3⅝
DM	3¾	3⅝
FFr	[illegible]	[illegible]
FT London Interbank fixing (offered rate)		
3-month US$	7	6⅞
6-month US$	7⅛	7
US Fed Funds	6⅝	6⅝
US 3-month CDs	6.80	6.825
US 3-month T-bills	5.86	5.80

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 23 (Sept)	90-05	90-13	89-25	90-06
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.00	94.10	93.96	94.03
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.73	92.77	92.72	92.78
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	121-08	121-14	120-17	120-26

US BONDS

Treasury	July 23 Price	Yield	Prev Price	Yield
7⅜ 1989	99[illegible]	7.42	99[illegible]	7.42
7 1994	98[illegible]	8.38	98[illegible]	8.33
8¾ 1997	99[illegible]	8.50	99[illegible]	8.53
8¾ 2017	99[illegible]	8.78	99[illegible]	8.77

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	July 23 Return index	Day's change	Yield	Day's change
1-30	163.17	+0.12	6.93	-0.03
1-10	154.63	+0.12	6.68	-0.03
1-3	144.03	+0.07	6.37	-0.03
3-5	157.57	+0.17	6.71	-0.03
15-30	193.58	+0.59	7.78	-0.03

Source: Merrill Lynch

Corporate

	July 23 Price	Yield	Prev Price	Yield
AT&T 3⅞ July 1990	93.24	6.45	93.24	6.45
SCBT South Central 10⅞ Jan 1993	102.0	10.39	102.0	10.39
Phibro Sal 8 April 1996	91.25	9.5	91.62	9.45
TRW 8⅞ March 1996	95.93	9.45	96.21	9.4
Arco 9⅜ March 2016	99.75	9.9	100.21	9.85
General Motors 8⅜ April 2016	83.17	9.9	83.58	9.85
Citicorp 9⅞ March 2016	90.67	10.4	91.51	10.3

Source: Salomon Brothers

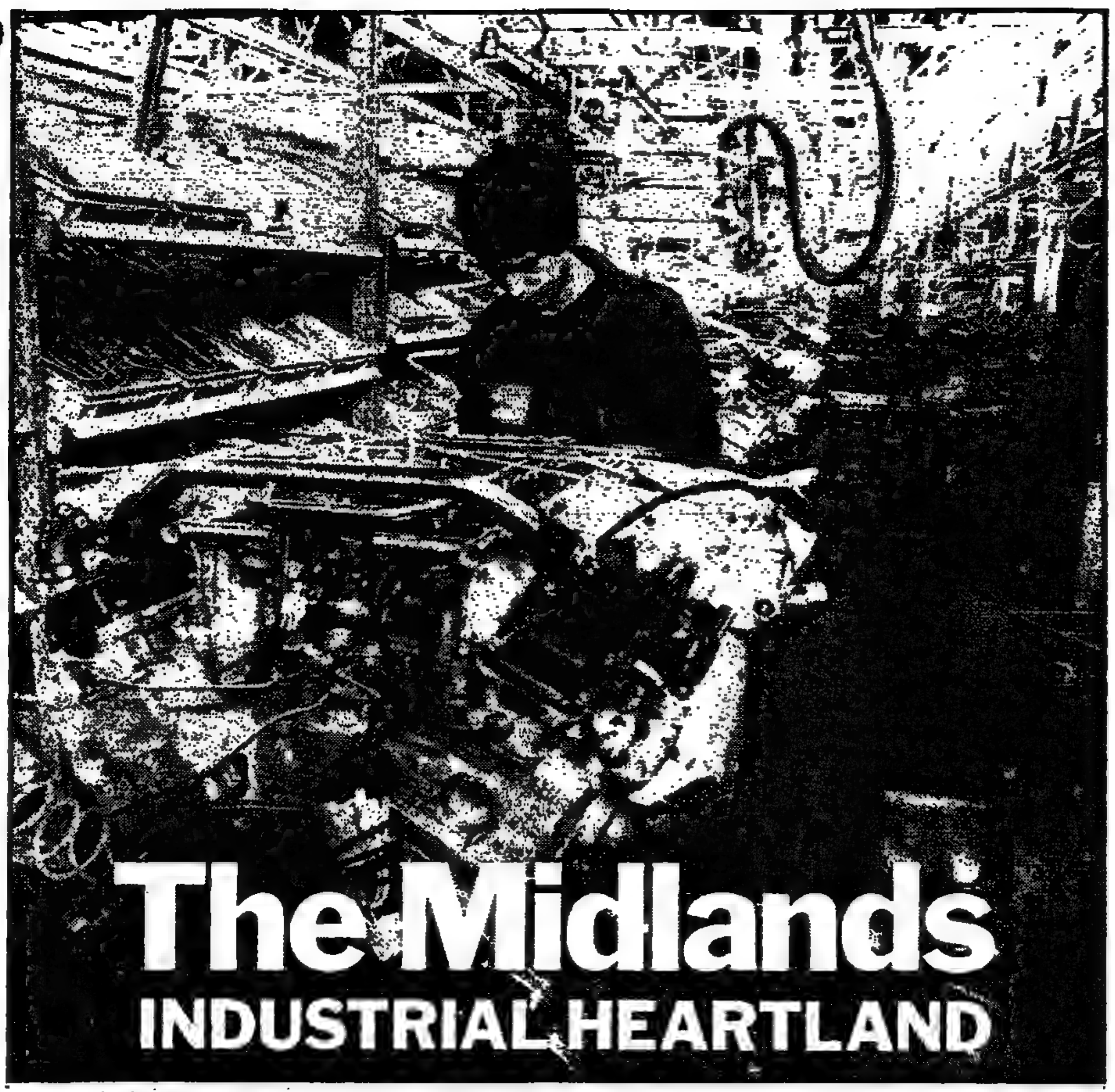
* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

After suffering a high level of job losses and factory closures because of a disproportionate reliance on manufacturing, the West and East Midlands are now working towards co-ordinated regional development strategies to regenerate England's industrial heartland, taking advantage, reports **Arthur Smith**, Midlands Correspondent, of. . . .

A window of opportunity



Engine production at Jaguar cars which has just unveiled plans to spend £1bn over six years to modernise and expand its Coventry factories

A WINDOW of opportunity has opened and the timing is right, according to Sir Trevor Holdsworth, chairman of GKN, a company traditionally one of the engineering stalwarts of the Midlands industrial heartland. He was welcoming proposals for a private sector lead initiative to set up a permanent body, dubbed "West Midlands United," to pursue a strategy to regenerate the region.

The recommendations come from a study commissioned from Price ... Waterhouse, management consultants, by the Birmingham employers forum, a broad-based and influential grouping representing the chief executives and leading Midlands companies, local authorities, universities and public bodies.

Sir Trevor said the aim would be to pull together the energies of existing agencies and prove that the West Midlands could "get its act together." The timing of the initiative was "perfect": the private sector was unified in the need for action; the economy was improving and the Government was receptive to new ideas.

Indeed, perhaps the most significant thing about the whole exercise that has resulted in proposals for a West Midlands United is the apparent consensus that has been established.

For the study, personal interviews were conducted with more than 120 leaders in the private and public sectors—people such as Sir John Egan, the man whose dramatic turnround of Jaguar Cars has won international acclaim, and Mr Topham Brinton, an outspoken champion of capitalism who heads Brintons, the well-known family carpets concern and who is currently chairman of the West Midlands committee of the Confederation of British Industry.

Price Waterhouse concluded: "There is clear evidence of the general need for a regional strategy and of communal willingness to do something about the problems facing the West Midlands." It has taken a long time to arrive at such a point.

Price Waterhouse drew upon its US office for experience gained in regenerating American cities. A US consultant, who sat alongside Sir Trevor as he talked of 'the window of opportunity' enthused about the Midlands.

He commented: "There is a level of commitment among businessmen that is unparallelled in the US. There are so many public and private sector bodies already involved in economic development. In many ways the US may be able to learn from the experience of the Midlands."

The Midlands, because of its rapid industrialisation and consequent disproportionate reliance upon manufacturing, is known somewhat nostalgically as the industrial heartland. But perhaps the one thing that unites the Midlands is its very disunity: the individualism of its people and parochialism of its towns.

In Whitehall administrative terms there is a West Midlands and an East Midlands region. But there is not the identity of interest of the North East or the North West. Just to list the constituent counties underlines the diversity. The West Midlands stretches in the south from the rural cider growing area of Hereford and Worcester out to the Welsh Borders, up through Shakespeare's Warwickshire, across the sprawling conurbation that is the West Midlands county, on to Shropshire and the Potteries of Staffordshire.

The East Midlands starts in the scenic Peak district and the Derbyshire of Rolls-Royce and British Rail engineering, encompassing the Nottinghamshire of Robin Hood, the Union of Democratic Mineworkers, and Boots the chemist: looping eastwards to the Lincolnshire of Mrs Thatcher's Grantham and seaside resorts like Skegness: before taking in Leicestershire and Northamptonshire—a county that now views itself as part of the home counties and is currently benefiting from the house price boom washing out of London.

The M1 motorway is roughly the geographic dividing line between the East and West Midlands but it is more than the traffic hurtling north to south that separates the two.

The West Midlands with its dependence upon the vehicles, metals and metal bashing industries has become dominated by a massive industrialised area that now effectively extends from Coventry in the south through Birmingham and into the Black Country boroughs of Sandwell, Dudley, Wolverhampton and Walsall.

In the boom times for the motor industry the vulnerability was not exposed of so many jobs reliant upon giant companies operating in such a narrow range of industries. Unemployment was well below the national average. The region became identified with militant trade unionism and manual workers shot to the top of the pay league.

In the years 1979 to 1984 alone the region lost more than 300,000 manufacturing jobs — greater than the total lost throughout Scotland and Wales. The level of jobless now in the county of the West Midlands, at 15 per cent, compares with 6 per cent in 1979.

A recent survey by the European Commission ranked the county in the terms of low levels of income and employment at 111 out of the 131 administrative areas within the Community.

Much of the West Midlands has now been granted assisted area status. The East Midlands, by contrast, has lost the designation once given to small pockets of Derbyshire and Nottinghamshire. The one exception is Corby, and even there a dramatic recovery has pulled unemployment from more than 20 per cent to 14 per cent over the last 12 months.

The East Midlands, though second in the UK only to the West Midlands with its concentration of employment in manufacturing, presents a different picture. It is a region of smaller firms and towns enjoying a more diverse economy—everything from electricity generation and coalmining through to lace-making and pea canning.

Mr Ken Barnes, director of the East Midlands region of the CBI, points out that unemployment peaked in January last year (1986) at 13.1 per cent but at no time throughout the recession had moved above the national average: "We are now back to the best level for six years at 9.7 per cent."

He maintains the issues facing the region are merely those which concern businessmen throughout the UK: interest and exchange rates. "We have such a diversity of industry that we are very much a microcosm of the national economy," he says.

Job losses, factory closures and rationalisation have been a feature of recent years: perhaps most publicised was the run-down of Raleigh bicycles, at Nottingham, from 6,000 workers to 1,200 and the eventual sale this year by TI to a new international consortium.

But from the pressures of international competition and low-cost imports have come tales of success, such as those of the textiles and hosiery industries which have carved out niches by moving up-market, improving quality, design and manufacturing systems.

However, Mr Geoff Hulse, secretary of the East Midlands nine-strong group of chambers of commerce, argues the case for a body to represent the interests of the East Midlands.

He admits that neither companies nor individuals tend to identify with the East Midlands and indeed the difficulty of defining the region. But urges the value of a body, such as the former economic planning council, to enable all sections of business and commerce to discuss common problems.

The issue is under discussion between the chambers, and Mr Hulse says a promotional body is favoured, perhaps similar to the West Midlands Industrial Development Agency (WMIDA) formed in 1984.

WMIDA was a private sector initiative that followed from mounting concern among West Midlands industrialists about the scale and pace of redundancies. There has been pressure, particularly from the CBI, for the formation of a more full-blooded development agency.

The Government, perhaps concerned about an emerging and powerful regional lobby, responded by offering to provide one-third of the funds — the balance to be shared equally by the private sector and local authorities — for an inward investment body shorn of any political role.

Sir Trevor Holdsworth in discussing the way forward for the proposed West Midlands United points to the experience with WMIDA, although a much more limited exercise, as a possible example.

The Price Waterhouse study, research for which was conducted in the run up to the General Election, has clearly paid heed to political considerations. It notes that initial soundings with central government suggested support for a public sector regional agency would be limited.

Accordingly, it pulls back from such a body which might require a budget of £20m a year in favour of the private sector option which it costs at around £1.1m to £1.4m. A permanent body of 15 to 20 people with "a chairman of stature and repute and a chief executive of high calibre, energy and determination" is proposed.

The forum of Birmingham employers willl be sounding out

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INDUSTRIAL HEARTLAND 2

The recovery in the Midlands economy is still patchy but . . .

Manufacturers begin motoring again

THE MIDLANDS economy is at last on the move again according to all the recent local surveys by both the Confederation of British Industry and the Chambers of Commerce. But the recovery has been a long time coming and even in the East Midlands, which was hit less savagely by recession, the picture remains patchy.

For much of last year reports from national surveys about the improving business climate were greeted with grim-faced smiles by industrialists, particularly in the West Midlands, who pointed out that any recovery was from a low case and was all too gradual.

But Mr Harold Musgrove the former chief executive of Austin Rover and currently chairman of the Birmingham Chamber of Commerce, reports a confident response in the latest business survey, much of it carried out since the general election.

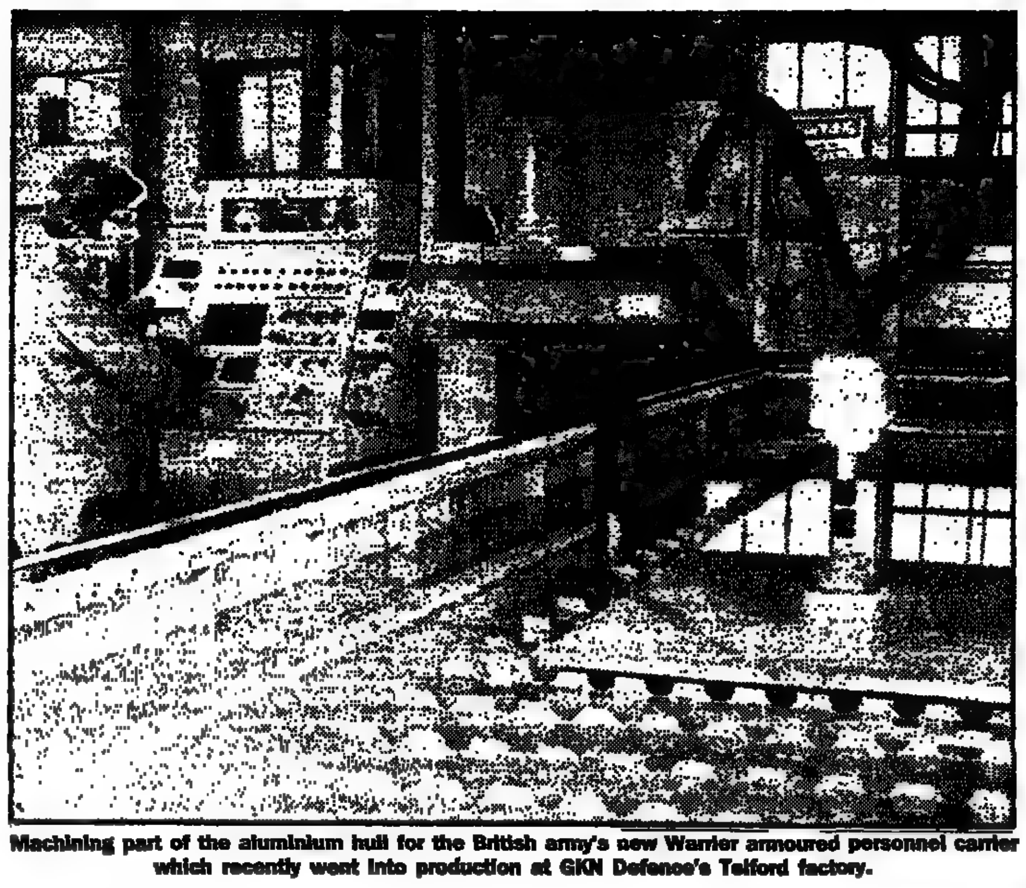
He says: "All the key indications—deliveries, orders, production capacity, recruitment intentions—show that a considerable number of companies are optimistic about business prospects."

He welcomes in particular the fact manufacturing companies were sharing in the improvement but notes "two clouds on an otherwise bright horizon:" interest rates remained high against competitor countries and employers were finding it hard to recruit suitable staff to fill newly-created positions.

Throughout the Midlands the depth and scale of recession has forced closures and restructuring from the big companies such as GKN and Raleigh through to the smaller firms among the Nottingham lace-makers. The pace might have slowed but the changes still continue: TI must seek new businesses to replace those divested; Lucas Industries will continue to pursue deals to eliminate the losses in its electrical motor components subsidiary.

But the company which has suffered most publicised upheavals, the Austin Rover volume cars operation, still remains an important determinant of the pace of activity in the region.

The state-owned company started the year with production restrained in order to clear excess stocks. But despite a disappointing performance so far in the share taken of UK car sales, the tracks have been speeded up and overtime is being worked.



Machining part of the aluminium hull for the British army's new Warrior armoured personnel carrier which recently went into production at GKN Defence's Telford factory.

Output is currently running at around 11,000 vehicles a week as stocks are built up for the crucial sales month of August when the "E" registration prefix will be introduced.

Austin Rover production this year will be significantly up on last, partly because of the improved performance in export markets now the new Rover 820 has been launched in the US.

Components suppliers to Austin Rover should benefit not only from increased volume but also from an important initiative by the state-owned company to improve relations with component suppliers.

Austin Rover plans to replace the present system of short term contracts and award the business "in perpetuity." A selected "preferred supplier" would be required to enter into a genuine partnership under which they would be given full responsibility for the design and development of components, subject to the criteria laid down by the car maker.

Austin Rover acknowledges that relationships between car assemblers and suppliers often tend to be fraught but argues the proposed new deals will give the parts companies important security.

Mr Andy Barr, Austin Rover's managing director, operations, says: "We aim to give suppliers confidence in the future, confidence to press ahead with research and development, new investment and the introduction of advanced technology." Equally important, Mr Barr has given a commitment to the UK industry that it will not suffer from Austin Rover's continuing collaboration with Honda of Japan. He insists it is the intention that the UK content of materials purchased—currently 87 per cent, worth more than £800m a year—will be maintained at a very high level.

Good news on the national motor scene for Midlands components suppliers is not only the forecast that car registrations this year are likely to be high at 1.9m but also that both Ford and General Motors-Vauxhall are scheduled to switch more production to the UK rather than importing.

A boost is also being given to output levels by the two Midlands-based car makers, Jaguar and Peugeot Talbot, both of which are back on the success trail.

Sir John Egan, chairman of Jaguar, has just revealed plans to spend £1bn over the next six years to improve and expand factories in Coventry. The company is also prepared to spend an extra £50m a year on research and development.

Jaguar is committing the funds to extend its current two-model car range to develop three 'families' based on the recently launched XJ6 saloons and XJS sporting coupe, plus a new sports car, likely to be named the F-type.

Output this year (1987) is scheduled to rise to 48,000 cars, more than treble the 14,000 of just five years ago. The target next year is 55,000 climbing to more than 100,000 a year by the mid 1990s.

Jaguar now claims to be the biggest employer in the Coventry area with 12,300 workers, having created more than 5,000 jobs since 1981. There will be a continuing build up of the labour force to around 12,750 by the end of the year but beyond that most of the increased output is projected to come from automation.

Productivity has already jumped to 4 cars per man compared with 1.2 at the beginning of the decade. A level of 5.5 is planned by 1990 to put Jaguar on a par with its West German rivals, Mercedes and BMW.

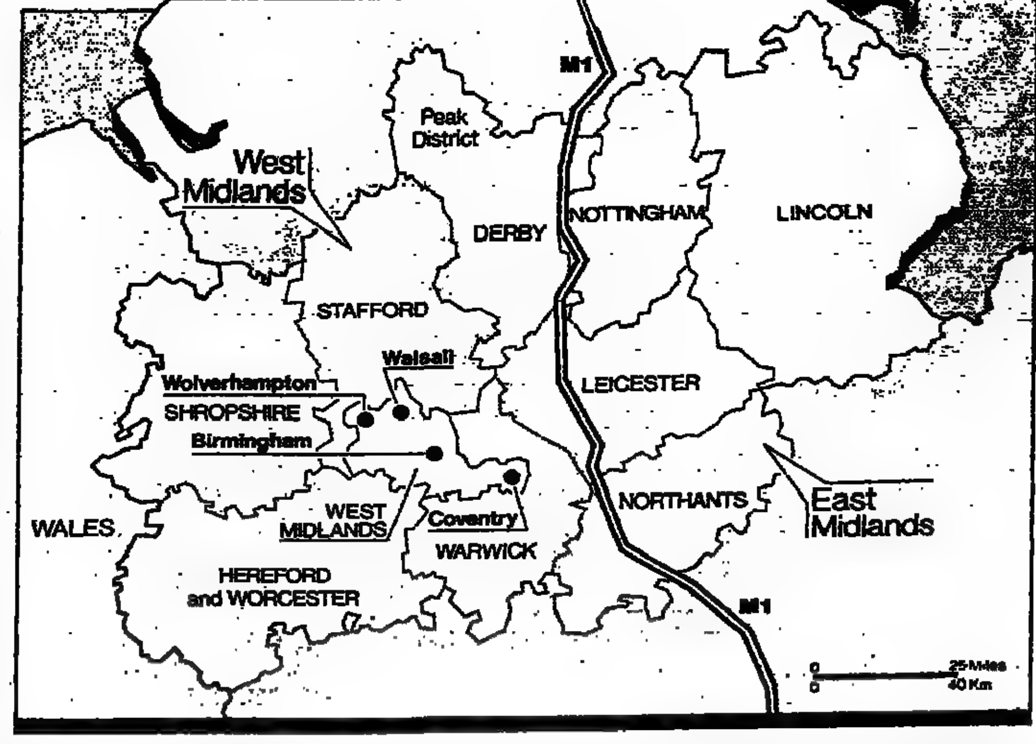
Dramatic productivity and quality improvements have also been the key to the turnround achieved at Peugeot Talbot by chief executive, Mr Geoffrey Whalen.

He says the commitment of Peugeot, of France, which acquired the UK subsidiary from Chrysler for a nominal 1 US Dollar in 1979, is demonstrated by the £20m investment now underway to build a new car at the Ryton assembly plant, Coventry.

The new investment was prompted by the success of the £30m committed to Coventry for the introduction of the Peugeot 309 model which has made successful inroads in the UK market since its launch less than 18 months ago.

Peugeot says its UK market share, already up to around 5 per cent now from the 4 per cent at the beginning of 1986, will climb to 8 per cent within 12 months.

A massive training programme for the company's 4,500 workers has already started for assembly of the Peugeot 405, the first prototypes of which are scheduled to move down the tracks shortly.



The 405, to be launched in the UK at the beginning of next year (1988), is a middle range model that will mark Peugeot's attack on the key fleet sales market dominated by Ford's Sierra, Vauxhall's Cavalier and Austin Rover's Montego.

The new flexibility and cooperation of Midlands workforces was illustrated vividly this summer with a vote by 2,000 workers at Land Rover to extend their working day by two hours to nine and three quarter hours in order to meet demand for the successful Range Rover model.

The company favoured the longer hours linked to a new four-day week system as it was more cost effective than introducing a night shift.

Land Rover is currently taking on 600 workers to boost employment at its Solihull factory, Birmingham, to 7,400. The aim is to raise output about 20 per cent this year to cope with a sharp rise in exports.

Weekly production of the luxury Range Rover has now overtaken the more utilitarian Land Rover for the first time and is likely to account for at least half of the 45,000 vehicles to be produced by the company this year.

The changed production mix reflects Land Rover's strategy of directing sales towards sophisticated consumers in the developed countries, following the decline of traditional markets in Africa and the Middle East hit by low commodity prices and a drop in oil revenue.

The Range Rover was launched successfully in the US in March and sales of 3,000 are forecast for the first 12 months. Demand in Europe for the vehicle, which is now available with a turbo-diesel engine, has soared. Land Rover sales on the Continent are also up by more than 20 per cent and reflect the best performance for five years.

Massey Ferguson, the Coventry-based tractor manufacturer, has had to cope not just with a decline in third world markets but also with a protracted downturn in demand from advanced countries including the US.

The company is currently seeking to implement plans which involve shedding 1,000 jobs and what it describes as a complete change in company culture. The Coventry factory, which a decade ago turned out 80,000 to 90,000 tractors a year with a workforce of 6,500 is being reorganised to produce half that number with only 2,500 workers.

Massey Ferguson claims to be the biggest manufacturer of tractors with more than 18 per cent of worldwide sales last year (1986). The changes are intended to remain competitive and improve market performance.

It is a sign of how dramatic has been the change in the industrial climate of the Midlands that Massey Ferguson as part of its package is seeking a cut in pay rates. The production workers' average pay of £210 for a 39 hour week is regarded as unrealistic in current world markets—a legacy of Conventry's former prosperity when it was Britain's successful motor car city.

Arthur Smith

Foreign investment

Number of projects soars

TYPICALLY, it is from the executive lounge at an international airport that Ronnie Sampson phones in. He is about to board a flight for Tokyo on yet another sales mission to Japan but he has heard the FT is writing an article about inward investment. He knows he has a story to tell.

In just over three years, since he was appointed the first chief executive of the newly created West Midlands Industrial Development Association, (WMIDA) the number of overseas companies choosing to set up operations in the region has soared.

From just a handful of projects in 1984 the number had jumped to 72 in the last financial year, generating capital investment of nearly £160m and creating more than 4,730 jobs. And a similar pace of growth is being established this year.

Mr Sampson, a former Major in the Royal Signals who learned how to handle the Press from his days of briefing journalists in the troubled province of Northern Ireland, is at ease with the media. That expertise carries a financial premium: as a matter of policy the cost conscious WMIDA does not advertise, something of a rarity in a fiercely-competitive development agency world with big promotional budgets.

Mr Sampson has to rely for his column inches upon the news value of his activities. Though he has dispensed with public relations consultants to cut costs, he does not miss the popular angle of initiatives.

He has launched " an industrial dating agency for the West Midlands " — a directory of data on local firms made available to overseas companies who might be interested in embarking upon a joint venture.

Earlier this year there was a " two-day telethon " to the US — a marathon ring round of companies in New York, Chicago, Arizona and California targeted at potential investors.

The team of callers, in order to catch businessmen at their desks in working hours, phoned through the night from the WMIDA headquarters at Chantry House in the Warwickshire countryside.

" Many American business people prefer to deal over the telephone," he says.

The very success achieved by WMIDA in attracting overseas investment is contributing to pressure in the East Midlands for the formation of a similar sort of promotional body.

The East Midlands chambers of commerce are already discussing the issue, according to Mr Geoff Hulse, secretary to the nine strong group.

He says: "Everyone else, particularly the North of England and the Scots, seems to be getting their act together. We could so obviously lose out if, because of our pride and self-sufficiency, we don't make a bid for the available investment."

WMIDA has already claimed to be top of the industrial development league," capturing last year (1986) 28 per cent of the total invesment going to the assisted areas of the UK.

Figures for the UK as a whole prepared by the Government-sponsored Invest in Britain Bureau show the West Midlands' 72 inward investment projects accounted for more than one in five of the 1986 total of 321. The East Midlands, by comparison, gained only 12 projects.

Mr Hulse argues that the East Midlands with its diverse manufacturing economy, skilled and flexible labour force, and good communications has to be attractive for overseas investors. But he adds: " Whatever your strengths, if you do not package them, you are at a disadvantage."

He maintains there is a growing recognition within the region of the need for action on a broader front than that already taken by individual local authorities and agencies.

Nottinghamshire County Council, with the creation of an economic development unit, has given a lead and appointed Mr David Hogg as marketing manager for inward investment. He reports there have already been seven missions to the US, two to West Germany and one is currently under consideration for Japan.

Lincolnshire at the other extreme has, until now, spent very little on promotion. Northamptonshire, Leicestershire and Derbyshire have all undertaken promotions of various kinds often linked to tourism and leisure.

The East Midlands will undoubtedly look to the experience of WMIDA which emerged in 1984 as the result of a much-deeper felt concern among industrialists, particularly within the Confederation of British Industry, that their region was losing out.

Against the background of rapidly rising unemployment and factory closures in a region that had known nothing but prosperity in the post-war years, there was pressure for a concerted West Midlands voice.

In the event, the Department of Industry headed off any move to create a powerful regional lobby by offering to provide one third of the funds—the balance to be shared equally by the private sector and local authorities—for an inward investment body that had no political role.

So successful has been WMIDA in its important but restricted activity that the Government now meets more than half the cost of the £550,000 a year expenditure. The cost effectiveness of the operation is underlined by Mr Sampson.

He points out that, since January 1984, total inward investment of £648m has created employment for 4,732 at the cost of £106 per job—" it has to be a bargain," Mr Sampson enthuses.

From the outset, Mr Sampson who gained experience of the development industry by promoting first South Yorkshire and then the Grampian Region of Scotland, targeted particular areas.

Places with industrial structures similar to that of the West Midlands were seen as fertile, particularly the midwest states in America and the industrialised parts of southern Europe.

WMIDA has an office in Tokyo and funds jointly the Birmingham city council man in Hong Kong who looks not just to inward investment but also to opening up markets in China for West Midlands companies.

Elsewhere, Mr Sampson prefers to take on representatives on a fee basis with payment related to results. WMIDA currently has three representatives in the US and one in West Germany.

Mr Sampson reports attention is now being focused upon the US eastern seaboard. A recent presentation in Boston attracted more than 50 companies of which 10 indicated a desire to travel to the West Midlands to explore opportunities: " That is a remarkable response rate and just demonstrates the strengths of the region," Mr Sampson says.

But with the experience of more than three years in the West Midlands and over a decade in the industry, Mr Sampson demonstrates a healthy scepticism.

He smiles: " You can line up all the clever economists and ask them which are the growth industries and most appropriate to your region, but it does not quite work out like that, certainly not in the West Midlands."

He cites as unlikely examples of overseas investment the takeover of Dunlop tyres by Sumitomo, of Japan, the transfer of the French-owned Michelin tyre headquarters from London to Stoke, the decision by Yamazaki to invest £35m to make machine tools at Worcester which would be exported back to Japan.

" The industrial picture in the West Midlands is different," Mr Sampson says before dashing to catch his flight to Tokyo. His progress undoubtedly will be watched closely not only by his own board but also by industrialists in the East Midlands.

Arthur Smith

Birmingham's national exhibition centre—work has started on a £121m convention centre

Conference Business

Birmingham goes for international ranking

HOTELIERS, local authorities and developers across the Midlands are staking a claim for a share of the booming conference and conventions business. The region might be famous as the industrial heartland but as the manufacturing jobs are swept away schemes are coming forward to boost the service sector.

Perhaps the most dramatic illustration of the trend is the bid by Birmingham to place the city in front rank of international convention centres. The Labour-controlled city council, with the full backing of the Conservative opposition, has started work on a £121m purpose-built convention centre.

The centre, scheduled to open for business in early 1991, spreads over a 50 acre site and forms part of a 250 acre redevelopment close to the city centre. Adjacent to the centre will be a £31m Hyatt hotel and a £21m indoor sports arena intended to attract national and international events to the city.

The city describes the scheme as "a tourism project producing the largest economic development initiative for the West Midlands in the foreseeable future." The convention centre is projected to create directly more than 2,700 jobs, support another 10,000 in the service sector and generate income of more than £54m a year.

"We know the business is out there and we know we are going to take a big chunk of it"

Birmingham might have the biggest project but there are others across a region which enjoys the advantages of a central location, good communications and a pleasant infrastructure of rolling countryside and tourist attractions.

Nor can there be any doubt about the recent rapid growth and projected expansion of the convention and conference business, described simply in the US as "meetings." During last year (1986) there were some 6,742 international meetings with the UK, perhaps surprisingly, among the leaders, hosting 21 per cent against the 24 per cent of the US and the 22 per cent of France.

The number of international meetings has jumped nearly 40 per cent over the past four years to create a business estimated to be now running at well over £835m a year.

Research conducted for the proposed Birmingham International Convention Centre (ICC) suggests the world business will grow by between 1 to 3 per cent a year over the next decade. In the UK a growth of 12 per cent is projected for the next five year period.

"We know the business is out there and we know we are going to take a big chunk of it," says a smiling Terry Golding, the man appointed to head up the marketing drive for the ICC.

Mr Golding, a forceful personality, has taken on the new role in addition to his job as Chief Executive of the National Exhibition Centre (NEC). He has an undoubted credibility advantage when he explains what the new convention centre will be like for he has been the man responsible for the NEC since its early days in the 1970s.

Then, there were sceptics who thought the Birmingham City Council financed exhibition centre might prove a municipal folly. Now, after recording a trading profit in each of the 11 years, the first £35m phase is under construction as part of a programme to double the 100,000 sq metre facility over the next 20 years.

The success of Mr Golding, a Londoner who has adopted the Midlands as his home, has been achieved by exploiting, to the full, the market opportunities presented by the NEC facilities.

The target has not been just the international exhibitions, such as the Motor Show, but events such as the Royal International Horseshow and the annual meeting of British Telecom.

The 12,000 seat arena has so far booked a record number of 57 concerts for the current year ranging from Tom Jones to US acts such as Tina Turner and Stevie Wonder. The royal warrant for rock concerts has already almost been awarded on an honorary basis by the number of visits made by the Princess of Wales, accompanied occasionally, by her husband.

Mr Golding is keeping the marketing of the convention centre quite separate from that of the NEC but there is an undoubted crossover point and the two facilities will clearly feed upon one another.

The ICC with eleven purpose-built halls will handle comfortably events catering for up to around 2,000 people though larger numbers and plenary sessions of perhaps 12,000 could be accommodated.

Some of the concerts currently held at the NEC might be better located at a 2,200 seat concert hall proposed within the convention centre. A design has been adopted which is claimed to be in advance of any other European concert hall.

The building adopts the traditional 19th century shape of a concert hall but incorporates the latest technology to achieve the best acoustics. The City of Birmingham Symphony Orchestra under its conductor, Simon Rattle, will be based there.

Another growing business nurtured at the NEC which might wish to take advantage of the convention centre facilities is the corporate presentation sector: the Midlands venue has proved popular for product launches, sales promotions and company briefings. The financial services sector, particularly since Big Bang, has provided a notable growth area.

The £121m investment in the convention centre and the £35m committed to the extension of the NEC are seen very much as a pump-priming exercise that will not only attract thousands more visitors to the Midlands but also stimulate large-scale private sector investment in hotel, leisure and retail facilities.

A clear indication of the sort of money that will flow into such ventures is given by the decision of the Hyatt international hotel chain to locate a £31m 24-storey "crystal tower" within the convention complex. The five star Hyatt hotel is scheduled to open in 1990.

Private sector funding is also being sought for the planned £21m indoor sports arena which has attracted a £3m grant from the Sports Council. The land has already been cleared for the giant stadium which is due for completion by the middle of 1989.

Birmingham City Council has gained Common Market backing for the convention centre with a £37.5m grant from the European Regional Development Fund. The balance of the £121m will be funded by the local authority, largely against the assets of the profit-making NEC.

The NEC showed a net surplus of £3.4m in the last financial year—money which was handed over to the ratepayers of the city. The centre has made a trading profit in each of its 11 years but has to meet annual interest and repayment charges of around £6.1m on the original £40m loan financed by the city council.

It may be the solid achievements of the NEC that give credibility, but the big sales drive to promote the convention centre is already underway. There is a long lead time for the international events and bookings are already being sought.

One big name already signed up for shortly after the opening in 1991 is the International Olympic Committee which will stage its ninety seventh session in Birmingham. The city beat off competition for the event from Monte Carlo, Budapest, Belgrade, Moscow, Nairobi and Riyadh.

Mr Golding enthuses: "We are working to put Birmingham and the Midlands on the international map. There will be great benefits for the whole of the region."

Arthur Smith

Financial Services

Professions counter pull of London

Nothing better gives the lie to the idea of the Midlands as a depressed region than the pace of activity and expansion within the financial services sector. The stockbrokers, commercial lawyers, accountants and management consultants all report booming business.

The stream of mergers, acquisitions and successful new companies coming to the stock market is reflected in offices such as those of accountants Peat Marwick McLintock.

Mr Michael Wareing, flotations partner at the Birmingham office, says advice is currently being given to some 20 companies actively seeking a flotation on the stock exchange. At least four were going for a full listing.

Mr Peter Bromage, senior partner of Evershed and Tomkinson, one of the four big firms of commercial lawyers in Birmingham, argues that the infrastructure of the financial community in the Midlands has been strengthened in recent years.

He points to the presence in the region of all the big 10 firms of accountants and of their recent growth both in size and the range of services offered. "Each profession is pulling the other up with it," he says.

The Midlands professions were countering the pull of London and providing locally financial services that were both strong and sophisticated.

Mr Bromage maintains: "we in the Midlands tend to be close to our clients rather than offering a remote and impersonal service." A businessman could call to his office within the hour of lawyer of partner or associate seniority.

Evershed and Tomkinson is the first of the Birmingham law firms to open a London office. The initiative taken nearly 12 months ago had been welcomed by existing clients and had brought in new business.

Mr Bromage says: "many companies in the Midlands or outside London have a presence in the capital and need legal representation. We can offer them top quality but lower costs because of our Midlands base."

Modern telecommunication links made it possible to transfer large draft legal documents quickly between the London and Birmingham offices.

Wragge and Co, another of the big Birmingham law firms, has linked with four other practices outside the region to provide what it describes as a nationwide legal back-up for its clients.

Mr Peter Wall, managing partner, says the group, under the title "M5," was the first of its kind in the UK. It would allow clients to draw upon the experience of more than 200 solicitors.

"Although we remain totally independent in all matters relating to clients and their affairs, we see an advantage in joining with other firms to provide staff with technical and practical training and to give the partners of each practice the opportunity to exchange ideas when advising on legal, financial and business issues."

Midlands stockbrokers have had a hectic 12 months less because of big bang and the associated changes but more because of the bull market and the privatisation issues that have brought in a flood of new investors.

Birmingham with its stock exchange and a dozen broking firms saw much of the change pre-big bang. The two traditional jobbing firms withdrew but brokers Fyshe Horton Finney set up FHF market makers as a separate company, dealing in a limited band of mostly Midlands-based companies.

Three firms—Smith Keen Cutler, Murray and Co and Margetts Addenbrooke—have sought strength through linking with larger groupings.

The most dramatic move was the decision of the Smith Keen partners to sell to Greenwell Montagu and Co, owned by Midland Bank. Greenwell carries the main burden of research but Smith Keen has set up a team to specialise in Midland and smaller companies.

Nigel Harrison, a director and head of research, says the Birmingham business has grown 50 per cent over the past 12 months to take the numbers employed to approaching 130.

He argues that strength has come from being a member of a large group with the resources to commit investment to growth areas: "For a partnership, the constraint on funds often means that to expand in one direction constricts growth in another."

Fellow director, Philip Shepheard, points to the added security to weather any downturn in the market. The market had risen consistently for a decade but when it turned smaller brokers would be vulnerable: "There is going to be a bloodbath whether it comes in one year or five," he says.

Murray and Co, has emerged as a stronger force since it merged with seven other regional firms to form allied provincial securities, with 25 offices throughout England, Scotland and Wales.

Under the deal, Murray retains its identity and a high degree of local autonomy, but can draw upon the research of any of the provincial firms or from James Capel, the London broker. Capel, part of the Hongkong and Shanghai Banking Corporation, and Postel, the pension fund manager, have each taken a 20 per cent stake in the group.

Margetts and Addenbrooke, together with six other regional brokers has joined the National Investment Group, which has financial backing from Royal Life Holdings, Electra Investment Trust and Smith New Court, part of the N. M. Rothschild group.

The clear leader in the Midlands stockbroking scene is Albert E. Sharp, known locally as "the Cazenove of the Midlands." The partners are given credit for their bold decision to reject approaches from larger groupings and stay independent.

There was also a risk that post Big Bang the important institutional business might drain away to the larger brokers. In the event, helped by the high reputation of the research team, Sharp has emerged stronger.

Simon Sharp, the senior partner, says commissions might have been halved but the volume of business has more than doubled. On the private client side business, the increase in business has been such that the number of executives handling it has doubled to 45 in just two years.

Tribute to the corporate work of Sharp's in bringing companies to the market is paid by Mr Peter Carter, a merchant bank director of Barclays de Zoete Wedd. BZW itself has just moved to bigger offices in Birmingham to cope with the increased work from the Midlands over the past 18 months.

Mr Carter says: "there is a new mood of confidence. This region which lead the first industrial revolution is going through a second."

A particularly noticeable feature of the Midlands revival has been the number of management buy-outs. Mr Malcolm Stirling, senior partner of the Birmingham office of accountants Spicer and Pegler, reports that his firm raised a record £30m for buy-outs in the last financial year alone.

Mr Stirling says the number of inquiries about management buy-outs is still rising and seems to emanate from two main sources: from subsidiaries of groups which have recently been the subject of a takeover: and from family businesses where family directors wish to retire or involve outsiders in providing equity for the future development of the company.

The restructuring of much of Midlands industry has brought a boom for management consultancy. Mr Roger Dickens, senior partner of Peat Marwick's Birmingham office, reports that his team of consultants has climbed from nil four years ago to 45, embracing a range of disciplines from information technology and manufacturing through to human resources and marketing.

The growing importance of the financial services to the Midlands is illustrated by just one statistic thrown out by Mr Dickens: "in September we shall be recruiting 80 graduates. That is around the number we shall require ever year."

Arthur Smith

Advertising and PR

Market place gets tougher

THE SHAKEOUT of Midlands manufacturing industry, subsequent rationalisation and revival has set off reverberations throughout the advertising and public relations industries.

In a fast-changing market, there have been mergers, new arrivals, departures and even the emergence of the phenomenon known in the city as "golden handcuffs."

Mr Tony Arrowsmith, chief executive of Charles Barker Black and Gross, with a £12m billing one of the biggest half-dozen advertising agencies in the region, says the business environment has changed dramatically: "Client companies are much more sophisticated. There is a greater professionalism among managements anxious to utilise a full range of marketing facilities. The market place is tougher."

The long-standing problem for the Midlands is identified by Mr Arrowsmith as "stopping the business drifting down the motorway to London." Because of good communications from the region to the capital the big clients tend to opt for London agencies.

An analysis of the advertising handled by the leading agents taken from figures published in Campaign, the trade weekly magazine, indicates that over the past three years the share held by London has remained fairly constant at around 90 per cent.

The North West, embracing the key advertising centre of Manchester, has nudged up slightly to 3.3 per cent. By contrast the Midlands has dropped from 3.7 per cent to 2.7 per cent.

Generalisation is difficult in a region which boasts approaching 100 "agencies" ranging from the one-man-band type operation through to the handful which bill more than £10m a year.

Certainly among the leading agencies, growth opportunities are seen in the Midlands. Mr Arrowsmith says his agency did not suffer through recession because it had built its business on consumer and service accounts rather than manufacturing.

For the future, he sees greater specialisation with the need to develop a depth of expertise in all facets of marketing, advertising and public relations. His agency would continue to develop along such lines offering a complete package.

The Midlands agency that has pulled clear of the pack in recent years is Cogent Elliott which four years ago opened an office in London. Cogent, growing at the rate of about 30 per cent a year, now has billings of £36m a year.

Mr Bill Husselby, the chairman, is not only planning further expansion in the Midlands but sees it as "the perfect place" from which to build a regional network of agencies.

A much newer agency but a fast riser that has benefited from establishing a London operation is Brookes and Vernon, which this year forecasts a billing of £20m.

Cedric Brookes, now 43, started the business from a farmhouse near Uttoxeter in 1973 after leaving JCB, the famous excavation machinery company, where he had helped set up the advertisement department.

JCB has retained "a minority interest" in the private company. Mr Brookes is reticent about his own shareholding but confesses with a chuckle: "Yes, it is more than 50 per cent."

Real growth began in 1981 with the opening of a Birmingham office and by January last year (1986) annual billings had climbed to around £12m when Brookes took over C. Vernon and Son, a London agency, established at the beginning of the century.

Mr Brookes says: "We had got to the top of the provincial league but the London dimension gave us a new credibility." Important accounts have been won subsequently including those from the Rolls-Royce car company and Westland Helicopters.

At "an embryonic stage," he says is the public relations company which currently claims annual revenue of approaching £30,000. And to push for growth Mr Brookes has taken on perhaps the best-known PR man in the Midlands, Mr Nicholas Mendes.

Nic Mendes, a larger than life figure of booming camaraderie and usually distinguished by a flowered buttonhole, has strode the Midlands scene since he set up his own consultancy 22 years ago. But a walkout earlier this year by two account directors to set up a rival business in Nuneaton led him to be absorbed into Brookes and Vernon.

Mr Mendes says that starting at Brookes and Vernon with a revenue similar to that formerly enjoyed by his own consultancy, he is looking to the creation of an organisation that will cover every aspect of PR: consumer, financial, corporate and political.

His brief is to develop both the London and the Midlands operations and he confesses, albeit reluctantly that the London end might be easier: London clients tend to have a better understanding of PR, he says.

"In the Midlands—and it is a dangerous generalisation because there are notable exceptions—there is a need to educate clients about PR. It is thought of as press relations and free advertising."

Whatever the previous shortcomings of Midland clients, their growing professionalism and the number of emerging companies is attracting attention from London PR agencies. The most publicised example was provided by the purchase of Graham Rote, a Birmingham-based company, claiming annual revenue of £450,000 a year by Shandwick, a rapidly expanding international consultancy.

Mr Rote says he agreed to a purchase price of £1.2m, half of it paid outright and up to £600,000 due according to profit performance in the period to the end of July 1989—"the golden handcuffs."

The Graham Rote consultancy becomes part of a regional operation known as Shandwick network. But Mr Rote says that in addition to organic growth he personally will be heading up a financial PR division to be set up in the autumn to link Midlands companies with the Shandwick city service.

The Rote venture is intended to be a direct challenge to the Midlands company set up in Birmingham in May last year (1986) by Streets Financial Communications, one of the leading city agencies. Managing Director is Mr Ian Hunter, who turned to PR after 17 years running the Birmingham financial advertising office of St James, of London.

Mr Hunter, who has already accumulated a 25-company client list, claims that, as the first specialist financial PR operation based in the Midlands, he is meeting the demands of both the emerging new companies and those which have come through recession looking for new opportunities.

Probing across into the Midlands and particularly into the financial services sector from its unlikely Banbury base, in Oxfordshire, is Countrywide Communications. Countrywide, a private company, is ranked by PR week, the trade magazine, not only as in the top 10 UK consultancies but also the biggest operation outside London.

The fact the large-scale operations are moving into the region underlines the opportunities. An example of how they have been realised is provided by the public relations division of an advertising agency set up only six years ago, Hollingsworth, Riley O'Connell.

Patsi Haslimann, the enthusiastic lady who heads the operation, has taken PR income from nil to almost £250,000 in just two years.

One of "the major coups for an out-of-London agency" she claims to have pulled off is the account to handle publicity for the 1987 British assault to climb the north-east ridge of Everest.

She says: "The Midlands is that sort of region—full of enterprise and challenge."

Arthur Smith

Mr Bill Husselby, chairman, Cogent Elliot: planning further expansion

Profile: Cogent Elliot

A reputation for quality and talent

BILL HUSSELBY, recently High Sheriff of the West Midlands, argues passionately that the region has all the glamour and attractions of fast growth areas such as the M4 corridor. "But," he complains, "the Midlands to the outsider is all too often seen as a place of dark satanic mills."

As chairman of Cogent Elliot the Solihull-based advertising agency which with billings of £36m claims to be the largest outside London, he is convinced the Midlands needs to be marketed.

He says: "Any product has good or bad features and there is no reason why the region should not be treated as a product. You have to establish the correct image and project it effectively."

He believes attitudes have changed in the Midlands, that there is a greater professionalism among management and that it is an ideal base from which to expand.

Cogent Elliot certainly has expansion plans. Mr Husselby says the business which has been growing at the rate of 30 per cent a year in recent years will achieve a turnover of between £100m and £120m within the next five years.

Solihull will remain the base. There are plans for a new 30,000 sq ft office development: "I believe the Midlands with its excellent communications is the perfect place for a national headquarters."

But a regional network is sought and the first move is likely to be into Manchester where an acquisition is under consideration.

Cogent Elliot is very much the creation of Mr Husselby, an elegant 47-year-old with a relaxed style not normally associated with the aggressive world of advertising. Straight from Oundle School, at the age of 19, he joined the agency formed some years earlier by his father.

A key factor in Cogent's recent success and expansion was the decision to open a London office four years ago. An important influence on that move was the impact recession was having upon Midlands industry, Mr Husselby explains: "We needed to fill the vacuum that was bound to be created between the collapse of manufacturing and the revival."

He believes that recovery is now underway and that companies are taking a more professional view of advertising and marketing.

The importance of marketing was recognised by more and more chief executives who were overseeing the function themselves rather than delegating it, as they might have done a decade ago, to a relatively junior publicity officer.

Mr Husselby attributes much of the decline of the West Midlands to its obsession with manufacture to the detriment of the role of the market. "I can remember 15 years ago going to the old Triumph Motor Company in Coventry and pointing out to them they were spending only £3 a car on advertising. Importers, such as Audi at the same time were spending between £60 to £80 a car. "We all know the consequences."

Opening the London office at Palace Gate, Kensington, has also been important to Cogent in gaining credibility. Mr Husselby says clients from the Midlands and the North often prefer to see the agency in London rather than make the more convenient journey to Solihull.

Mr Husselby laughs: "We have always been conscious as a Midlands agency that we have to be better than the London agencies even to be regarded as nearly as good."

Cogent, like other Birmingham-based agencies, has tended to lose out because of the speed of travel from the second city to London: clients, particularly the big ones, go straight down the motorway to the capital. Manchester, that distance north, has accordingly developed a bigger advertising industry.

But even before the London office, Cogent had gained a reputation for the quality of its work and staff. "We have always believed we should pay London rates to our senior people in order to attract the talent," Mr Husselby says.

The Kensington office now made it possible to retain people who might be tempted not by the money but by the glamour of the Capital.

For Mr Husselby, already a very wealthy man owning more than 80 per cent of the shares in the private company, there is an obvious pride not only in the growth of the agency but in the quality of the product.

He says: "We have always set national standards and we want to be judged among the best." Looking to future expansion, he adds that an important aim is "to be one of the most respected national advertising agencies."

On the possibility that Cogent might prove an attractive acquisition, Mr Husselby laughs: "I must have had more offers than any company in Britain. I want to remain independent its as simple as that."

But would a public flotation not help with the planned expansion? Mr Husselby smiles: "Perhaps in a couple of years. But if we took that decision we would go for a full listing."

He adds: "We would have to be assured that going public would not change the character of the business. We have spent a lot of time building the agency and planning its future. We supply a top quality service."

A.S.

Profile: Wadkin

Wood working machinery surge

WADKIN, the Leicester-based manufacturer of woodworking machinery and metal cutting machine tools is very much part of the engineering history of the east Midlands city.

With its roots stretching back into the last century Wadkin became a member of the Thomas Robinson group in an agreed purchase last year but still remains an autonomous unit run from Leicester.

Wadkin is made up of 11 manufacturing companies, three of them in Leicester. These are Wadkin Leicester which makes woodworking machinery, Wadkin Machine Tools and a small operation called Wadkin Tooling which produces tooling including cutter blocks for woodworking equipment.

Wadkin is far and away the largest UK producer of woodworking machinery with total sales this year of those products expected to be around £30m.

Mr Mike Goddard, the former chairman of the company who is now employed as consultant manager, has no doubts about what is happening to the level of sales, principally from the Leicester operation.

'It is absolutely booming,' he says. 'It took off in the last quarter of last year. In the past nine months compared with the previous nine months sales volume in terms of money has doubled.'

The reason for this mini-explosion in business is the speed at which the UK construction industry is coming out of the doldrums of the past few years.

Wadkin makes machines mainly for saw milling and joinery work including the production of doors, windows, picture rails and roofing products.

Its machines, which range in price from £10,000 to £120,000, are sold to door and window frame manufacturers like Boulton and Paul and John Carr which are themselves benefiting from the upsurge in new construction, refurbishment and extension work.

Mr Goddard says Wadkin is a high technology company. As befitting that view, it has spent a lot of money on computer numerical control machine tools for its shopfloor, including a £700,000 flexible manufacturing system two years ago.

Wadkin Machine Tools makes vertical and horizontal machining centres costing between £50,000 and £250,000. One of its competitors is TI, another West Midlands machine tool maker but Wadkin's machine tool sales of around £6m are small compared with the Coventry company.

The British machine tool industry has found trading conditions difficult in the past year or so. Wadkin, which is in profit with its machine tool business has also found order rates pretty flat in recent months but appears to be doing better than some producers in this highly-competitive industry.

In line with many other machine tool companies, Wadkin stresses its capability for offering up solutions to customers' own manufacturing problems. This has pushed it more towards the sale of systems rather than simple stand alone machine tools. Its machining centres are also sold now with automatic tool changers and pallet pulls.

Mr Goddard says Wadkin is content to be in Leicester. Labour is flexible, he says. However, though Wadkin does not find it too difficult to get the kind of people it wants, Mr Goddard says it will become increasingly difficult to recruit the right calibre of technical staff.

"But overall it is a very rosy picture as far as we are concerned. We are looking for steady growth," he adds.

Nick Garnett


COVENTRY

Industrial property

Quality units in demand

ARLINGTON SECURITIES received planning permission to put in the infrastructure for a 103,000 square feet high technology and office business park in Birmingham last February. Work started in March. By May the company was receiving a higher level of enquiry for premises than it had dared hope.

It is true that with the new Use Classes Order blurring the difference between industrial and office property, it is more difficult now to talk of a strictly industrial sector. But the experience of Arlington provides another piece of evidence for the increasing firmness of the Midlands industrial market.

This had been predicted, especially for the West Midlands. At the end of last year, King and Co, the surveyors had noted that demand was increasing, so that rental and freehold values were rising, with good quality modern buildings in the best locations able to command rents of up to £2.50 a square foot.

Chesshire Gibson, the Birmingham surveyors, followed much the same line, pointing out that at the Birmingham Factory Estate in Kings Norton rents had risen to £2.75 from £2.50 a square foot in mid 1985.

There are other examples. Phoenix Beard, acting for the Aston Science Park run by Birmingham Technology, observed that the first two phases of the Park had been fully let while negotiations were proceeding for the rental of units being constructed in the third phase.

Bryant-Samuel Investments earlier this year recalled a succession of six lettings at Blue Ribbon Business Parks through the region, prompting Phoenix Beard to observe that open market lettings and rent review settlements are showing noticeable growth across the board and that it is possible to predict a shortage of supply for good quality industrial and warehouse accommodation.

One reason for the higher level of lettings is that landlords have been prepared to be flexible in their lease agreements. One thing is clear. For the most part, tenants are no longer prepared to sign up for 25 years.

King and Co commented six months ago that when it comes to letting second hand industrial and warehouse units, the majority of tenants have been able to negotiate short-term leases.

Recently the company let five units for the A. & J. Mucklow Group, and although these buildings were modern they were not in a notably good location.

The fact is that there is very little new speculative development, although this might be expected to pick up in line with general economic recovery. This had pushed activity into the secondary market where there has been a reasonably high level of turnover in freehold properties.

Certainly until the beginning of this year, reported Chesshire Gibson, the demand for industrial land was at a low level, although there has been numerous purchases of freeholds by sitting tenants.

Because new building has been restricted increasing pressure has been put on the available space. In its latest nationwide survey of industrial floorspace, the total available in both the East and West Midlands remained virtually static in the first part of the year.

In mid-May, the amount of space in the East Midlands was 7.23m square feet against 6.6m square feet in December 1986. The figures for the West Midlands over the same period were respectively 18.4m and 18.13m.

Significantly the number of new buildings as a percentage of the total space available dropped over the period from December 1986 to May 1987 in both the East and West Midlands—to 3.34 per cent from 4.72 per cent in the first and 4.1 per cent from 4.22 per cent in the second.

But, drawing a comparison with the south east, the take-up of accommodation in the Midlands has not been nearly as fast and the level of demand, though strengthening, has not been sufficiently high to draw in institutional funding to any great degree.

While it is true that some developers have been active and new schemes are being drawn up, their proposals are unlikely to be realised without some form of grant back-up. The financial institutions are likely to require rents of over £3.00 a square foot to provide the yields that they would find acceptable.

Developers in any case are being thrust back on local banks for initial funding. Many of the London-based banks are reluctant to go very far from base in their lending.

The property-owning institutions—the insurance companies, pension funds and property unit trusts—have seen, however, their income return from industrial properties in the east and west Midlands increase.

Figures drawn up by the Investment Property Databank show that in 1980-82 the return held between 7.0 and 8.0 per cent. It moved up to 8.7 per cent in 1983, 9.8 per cent in 1984, 10.6 per cent in 1985 and 12.6 per cent last year.

Last year rental value growth in the region was 2.8 per cent in 1986 but had declined by 3.6 per cent in 1985.

The problem for the institutions is that they have not been able to see both income and capital growth. The Investment Property Databank has noted that there has been a decline in capital values for institutional industrial property investments every year since 1981. This decline was as high as 10.5 per cent in the Midlands in 1985, but had been reduced to 0.4 per cent last year.

Because of the difficulty with capital values, institutions have received very patchy total returns on their industrial property in the Midlands during this decade—moving from a low of 0.1 per cent in 1985 to a high of 12.2 per cent in 1983.

Paul Cheeseright
Property Correspondent

The reception area at Aston Science park: the first two phases have been fully let and a third is under construction

Profile: Evans Halshaw

Car distributor on the acquisition trail

GEOFF DALE, 40 year old paper multi-millionaire and chairman of Evans Halshaw, the successful £170m a year Birmingham-based cars distributor, is nothing if not ambitious: he sees his company giving a lead to a "retailing revolution" in his industry similar to that which has already taken place in consumer durables and even estate agency. Evans Halshaw will become one of the top two or three "motor services groups" alongside the likes of Wadham Kenning, he says.

His is a multi-franchise operation scheduled for rapid growth but he argues the profit margins on volume sales are low. It is on the after sales services side he seeks to make a mark whether through maintenance, repairs, replacement parts, finance, and even insurance and drive-hire facilities.

But for all the vision and long term aims, the accountant in him rules: "We are not going to rush at it and mortgage our future. The pace of growth will depend as much as anything upon the acquisition opportunities."

Dale, Walsall grammar school boy has been the key figure since the £9m management buy-out of Evans Halshaw in January 1985 from LCP, the West Midlands-based property to fuel distribution group, subsequently acquired by Ward White.

He pushed for the buy-out rather than see LCP split up the motor distribution operation he had personally helped develop since joining the group in 1972, three years after qualifying as a chartered accountant with Thomson McLintock.

The 1970s saw nothing but growth as Evans Halshaw acquired Austin Rover, Ford and General Motors dealerships but recession forced LCP to jam on the brakes and Mr Dale says the period from 1982 was one of frustration with the cars operation starved of new funds.

The buy-out proved so successful however that Mr Dale called in his eight fellow managers to take what he describes as not an easy decision: "As a profitable private company we could have enjoyed the good life and lived like fat cats or we could go to the market and go for growth." The full listing 12 months ago raised nearly £5m, eased the high gearing of the management buy-out and gave the company the muscle to embark upon its declared acquisition trail.

The first big deal two months ago saw the £1m purchase in the Potteries of a contract hire business and dealerships embracing Jaguar, Land Rover, Austin Rover and Leyland trucks.

The big attraction was the newly-refurbished Jaguar dealership, which together with the Birmingham showroom—one of the biggest in the country—gives Evans Halshaw nearly 4 per cent of Jaguar's total UK sales.

Jaguar is prepared to allow Evans Halshaw yet further expansion, according to Dale. An increase is also being sought in the dealerships with Ford (currently 5), General Motors (4) and Austin Rover (4). Dale believes a bandwagon effect is running for Austin Rover with its improved quality and now is again the time to get involved.

Beyond that, Evans Halshaw is looking to new quality dealerships, such as Mercedes but will only take on large outlets doing more than 1,000 cars a year. "We are not into corner shops," says Dale.

Indeed, the strategy to be in the forefront of the retailing revolution is to gain a nationwide network regardless of franchise.

Dale argues that the motorist will require the same kind of one-stop total service now increasingly being offered by the nationwide chains of estate agents. Margins on new car sales are low and contribute to less than 20 per cent of Evans Halshaw's trading profits but they do give access to the higher margin after market business.

In all dealerships the contribution to profit made by service, accident repair and parts replacement has increased and will continue to do so. In contract hire, the group increased its fleet last year (1986) by more than 50 per cent to 4,000 vehicles and similar growth is projected this year to 6,000.

Innovations include the Evans Halshaw gold card so the small business or individual for a set monthly payment can meet all outgoings including purchase finance, service and repairs.

But "the hidden jewel" in the group according to Dale is Moprod which he says has gained "a unique position" in the spare parts distribution network. It buys components from more than 200 manufacturers, packaging them under the Moprod name and sells them into the wholesale trade both in the UK and overseas.

Trading profits jumped in the year to December 31 by 25 per cent to £790,000 on turnover up by nearly a quarter to £11.83m. Exports surged 40 per cent and will account for 20 per cent of revenue this year.

Dale attributes the success of Moprod to the efficiency of the computer controlled operation, good marketing and high service levels. "This business has doubled in three years and I don't see why we cannot do the same again."

The Evans Halshaw ambitious long term strategy might be well mapped out, but there are more immediate priorities. City analysts are looking to another jump in pre-tax profits to £4.7m, this year following the improvement last year to £3.56m from £2.18m.

Dale himself is spending more than 50 per cent of his time seeking new companies. "We are looking at several at any one time but we want to be sure we pick the winners," he says, sounding again like an accountant.

Arthur Smith

INDUSTRIAL HEARTLAND 6

Office property

Avoiding the ravages of the past

THE DOG days for the Midlands offices market appear to be over. The clear signs of over-supply that blighted the market in the early 1980s, have been disappearing. The main centres of the Midlands region are more cheerful.

Inevitably, given its size, the biggest impact of higher demand and of developer activity has been on Birmingham, with most of the space being demanded and taken up coming from companies already active in the region. Looking at Birmingham specifically, Mr Tony Ramsden of Colliers Bigwood and Bewlay, the surveyors, noted that some of the demand had been related to the deregulation of the financial markets last October.

"With deregulation a number of building societies and insurance companies expanded their activities and came into the market for more space," he observed.

In the Birmingham city centre and Edgbaston, demand has come close to exceeding supply and this has been pushing interest out to other areas, like Solihull, he added.

This is not to say that space is being automatically snapped up as soon as it becomes available, but it is to suggest that the market has become much more active. Five years ago, it would have been difficult to imagine, for example, Henry Boot, the property developers, completing a 35,000 sq ft building, Paradise Circus, and then working up the plan for a further 150,000 sq ft without the first phase being let.

Other developments by Norwich Union at Civic House, by Tarmac at Victoria Square, and by MEPC on Broad Street have been completed and earlier this month had been nearly but not fully let. The biggest development site in Birmingham is the old Snow Hill railway station. Two blocks have been taken in this Viking project and a search is on for a tenant to take the third.

The planners, however, are taking a cautious view of office development and, to the frustration of developers, have built a strong conservationist element into their policy: in order to avoid repeating the ravages of the past in the city centre.

Where developments are planned in older buildings there is often a demand to keep at least the facade, as, for example, at the Scottish Widows' Fund 42,000 sq ft project on Edmund Street and Church Street. Here work is taking place in two phases behind an 18th century frontage.

Elsewhere in the region activity is increasing. In Nottingham, Land Securities has refurbished its Alan House property while Linkmel and the Nottinghamshire County Council Superannuation Fund have been developing offices on three sites at the former Mount Street bus station. The City Council has been converting old buildings into offices for letting.

Again, in Derby, which has not been favoured as an office centre, long vacant space is being taken up after conversion into smaller units and professional companies have been searching for freehold premises on a sufficient scale to push prices up.

All of that said, the growth rate in rents seen over a perspective of five years in the Midlands is well beneath the national average. Up to May 1987 the growth rate in the Midlands generally was 2.8 per cent against a national average of 7.3 per cent and compared with 14.9 per cent in the central City of London and 17.7 per cent on the City of London fringe.

These figures have been worked out by Hiller Parker, the surveyors, which has been tracking office rents for 20 years.

Last year, according to Hillier Parker, the average growth rate in the Midlands, on a current price basis, was 2.6 per cent, one of the lowest regional rates of increase in the country. On a constant price basis there was actually a fall of 1.6 per cent.

Setting 100 as a base in 1977 for an office rents index, the Midlands in May 1987 was 226 compared with 157 for the northern region of England and 453 for the City of London fringe.

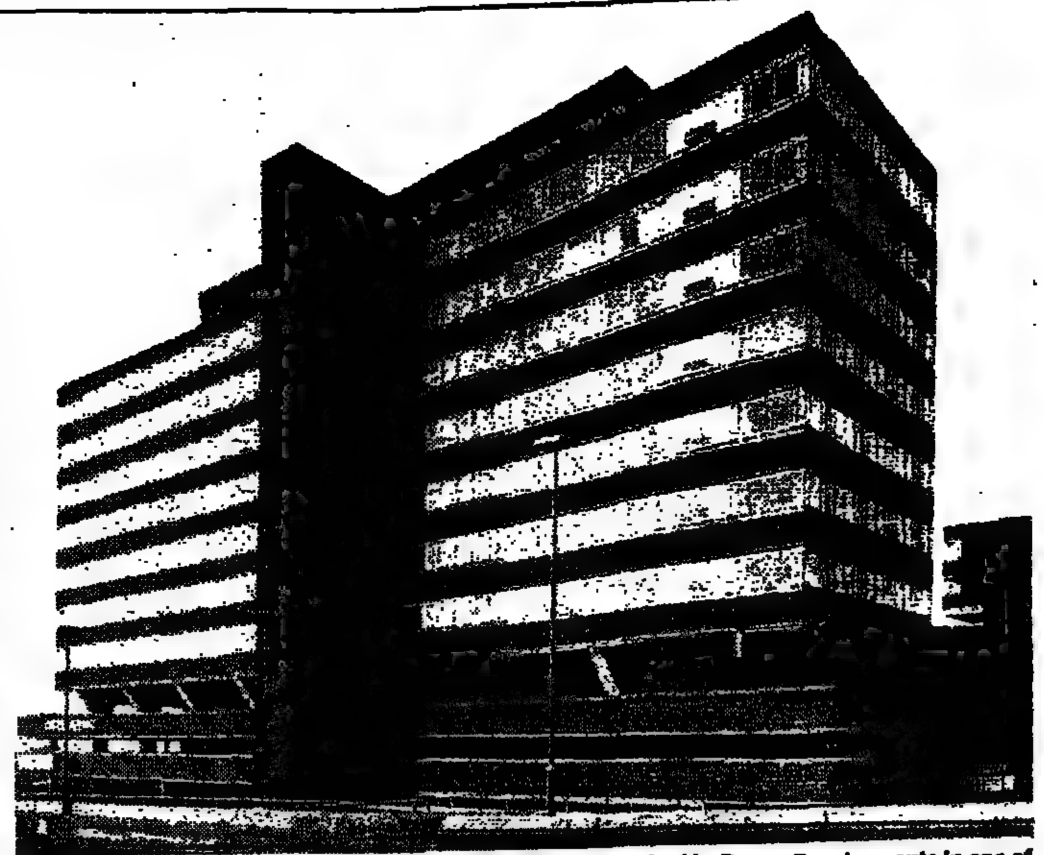
Although some asking rents in Birmingham have been pushing towards £9 per square foot, a slightly lower level for prime rents is more normal. In its latest survey of prime office rents, Debenham Tewson and Chinnocks, the surveyors, puts the Birmingham level at £8 a square foot, that for Leicester at £2 a square foot and that for Nottingham at £5 a square foot.

At the same time, rates have also been steadily increasing, although not on anything like the same scale as in some of the London boroughs. According to the Debenham Tewson and Chinnocks figures, rates have gone up, on a square footage basis, from £2.70 in 1985-86 to £3.30 in Birmingham. The rise over the same period for Leicester has been from £2.20 to £3.10 and for Nottingham from £2.00 to £2.60.

Total office accommodation charges in Birmingham are perceptibly lower than those for the main towns down the Thames Valley, Glasgow, Edinburgh, Manchester and Bristol.

Hillier Parker reported at the beginning of the year that the total amount of office floorspace available for letting in the East Midlands was 755,000 square feet and in the West Midlands 1.4m square feet. In the latter case this represents an increase over 12 months, largely because of new developments.

Paul Cheeseright



Dale House in Birmingham's city centre which was recently acquired by Beazer Developments is one of the city's largest investment sales. Consent has been given for the development of a major mixed shopping and office scheme on the adjoining site

Retail property

Developers exploit planning vacuum

THE MAJOR talking point in the retail sector is what is going to happen to the plethora of proposals for major shopping centres on the edge of the Birmingham conurbation.

The decisions which will have to be taken over the coming months will have a significant impact on planning policy in general and on the programme to regenerate the urban areas of the region.

Developers have seized on what appeared to be an opportunity to exploit a planning vacuum which appeared after the Government in 1985 abolished the metropolitan authorities, leaving a gap in strategic planning and thrusting the main decision making down to borough and district council level.

But then the Government, worried about the rash of planning applications around the country for edge of town developments, decided that all applications for more than 250,000 square feet of retail space would be called in for decision by the Department of Environment.

Decisions on shopping centres, however, cannot be considered in isolation and the Environment Department has had to look to the boroughs in the West Midlands and indeed elsewhere, for guidance. It has asked for their recommendations on planning strategy before deciding what should be the local policy.

So the boroughs and district councils of the Birmingham region have been obliged to come together and try and work out a joint policy on shopping. To this end, they commisioned Drivers Jonas, the surveyors and consultants, to prepare a report on the likely impact of the grant of planning consent for any or all of the applications for new centres.

What was immedaitely clear was that the region could not support the new shopping complexes if, at the same time, it wanted to continue with its policy of building up the strength of the town centres.

Drivers Jonas told the councils that shopping schemes already approved accounted for three times as much shopping space as could be justified without damaging the existing town centres.

These schemes are those of Richardson Developments at Merry Hill in the Dudley enterprise zone, built on the site of a redundant steelworks, and the scheme first proposed by Color Properties and latterly supported by Cameron Hall Developments for 1m square feet of shopping at Sandwell on the site of the former Patent Shaft Steelworks.

The Sandwell scheme has been slow in getting off the ground but Merry Hill is up and running and will eventually have 1.2m square feet of shopping space. In June, Richardson Developments announced plans for a theme park and sports complex to be constructed adjacent to the existing shopping complex. In the case of Sandwell early plans for a major leisure element in the scheme have been toned down.

As Drivers Jonas put it to the councils, there would be a benefit from the point of view of the shopping public in having high quality shopping complexes off the main centres—they would be attractive to be in and have easy access.

What has clearly perturbed the councils though has been the other side of the argument that Drivers Jonas spelled out. This would be the cost in investment and environmental terms to the existing centres and the implications for those members of the community who rely on public transport to do their shopping.

And, according to Drivers Jonas, it is not clear that new shopping complexes create many new jobs in centres which lose trade because of the new developments.

The difficulty for the town centres is that if they are to remain, or to be made, attractive to customers, they do have to improve access and make movement easier. In this sense, the Birmingham authorities may have to look at what has been done in Newcastle to stave off the threat from the Cameron Hall Metrocentre at Gateshead.

The Midland councils are now in a holding position. They are making representations to the Department of the Environment about the whole matter, and in the meantime they have staked out three points.

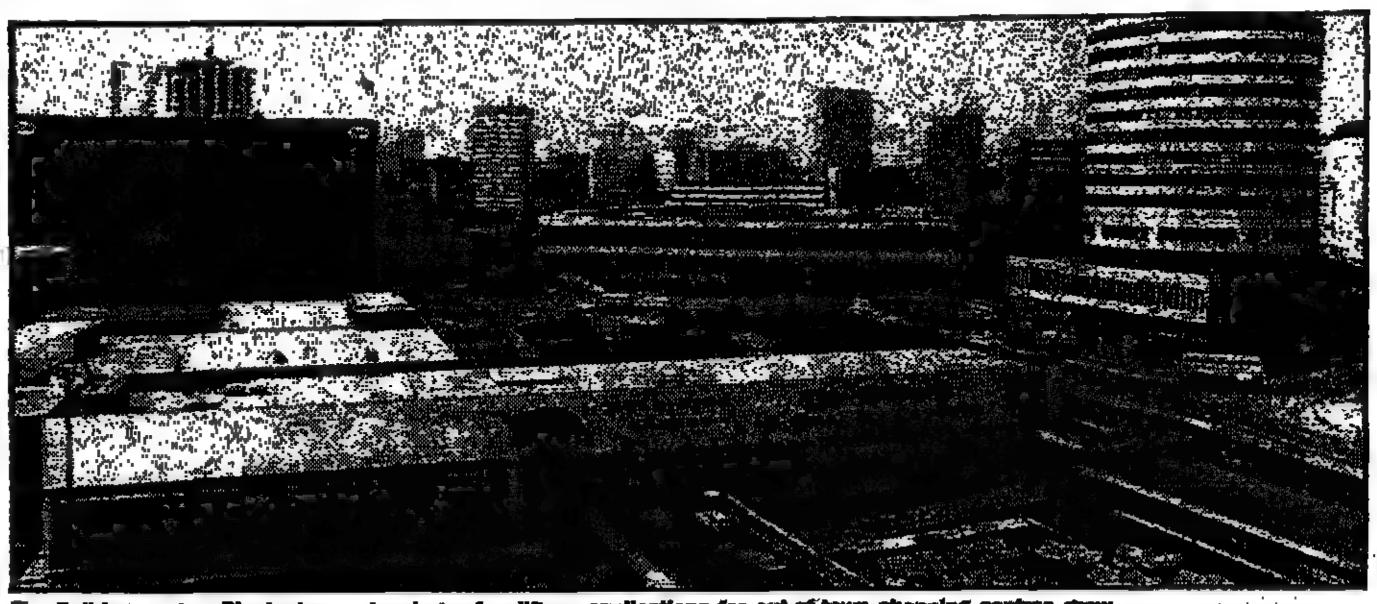
First, there should be no further planning permissions for big shopping complexes out-of-town. Second, those with planning permission, but where work has not started, should be reduced in scale, or an alternative use should be found for the site. (This seems to be directed at the Sandwell proposal). Third, the whole matter of the concentration of proposals for the shopping complexes in the Black Country should be resolved quickly so that uncertainty is minimised.

While this debate has been going on, the centre of Birmingham has been reacting in just the same way as the Eldon Square centre in Newcastle reacted to Metrocentre. It started to give itself a facelift. Refurbishments started and new developments got under way.

Norwich Union and Bryant Properties have both been engaged in substantial refurbishments of existing sites. London and Edinburgh Trust have bought the Bull Ring although it has not become immediately clear what they are going to do with it. Ladbroke is starting work on a combined offices and shopping scheme.

According to the Investment Property Databank, the institutions over a seven year period to the end of 1986 have received a total return of 12.7 per cent on their retail investments throughout the Midlands. The return last year was 8.7 per cent and in 1985 13.8 per cent.

Paul Cheeseright



The Bullring centre, Birmingham: planning a facelift as applications for out-of-town shopping centres grow

Black Country Development Corporation

Breathing new life and work into a tired landscape

VISITORS to the offices of the new Black Country Development Corporation will quickly get the message that this is an exercise in breathing new life and work into a tired landscape.

The offices are deliberately housed in the building once occupied by Accles & Pollock, one of the best-known Black Country industrial names. Long since vacated by that company the offices have now been refurbished and renamed "Black Country House," a symbol of what the corporation hopes to do in the area.

The scene from the top floor gives the visitor a bird's eye view of the scale of the problem facing the corporation. The total land area within the boundaries of the corporation is 5,792 acres, stretching from Darlaston in the north to Oldbury in the south. Around 1,100 acres are classified as derelict.

This acreage is grouped into 125 sites, some 60 per cent in private ownership. Much of the land suffers from the industrial past, with extensive toxicity and damage from mineworkings. It is criss-crossed by canals, industrial dumps and other relics of the past. Few sites exceed 20 acres. The minimum acreage for development needs to be at least 40 acres.

One of the prime tasks for the new corporation, therefore, is to acquire and assemble packages of land which can be cleared in preparation for development or landscaping—powers which have been given to Urban Development Corporations by the Government

This would be the most visible side of the activities. Equally important, however, will be the return of confidence to the area which the newly-appointed corporation team intend to foster.

This must come in part from the physical changes in the landscape. Mr Derek Kerr knows this part of the country well. Seconded from the

Most of the disused land is thought capable of being brought back into productive use

Environment Department, he acts as personal assistant to Mr David Morgan, the former director of planning services in London Docklands who took up his post as chief executive in the Black Country on July 1st.

"There is not enough vision here that things should be much better. People's horizons are very low," said Mr Kerr.

The board of the corporation which is headed by Mr Bill Francis, a civil engineer, who has spent his working life in the construction industry, together with management, have an important task to raise morale.

This is still a major area of industrial employment, despite thousands of jobs having disappeared in the manufacturing decline. Those big engineering companies which remain in the area need to be persuaded that they can help to raise the sights of the region by adopting a higher profile, within and outside.

Housing needs desperately to be improved. Over half is local authority owned. Much is cheek by jowl with industrial buildings and sites, some built on sites which would probably now be considered unsafe. About 40,000 live within the boundaries of the Black Country corporation which makes housing an important ingredient in environmental improvement.

Most of the disused land is thought to be capable of being brought back into productive use, for residential, industrial or retail purposes. So far the local authorities have been largely unable to make an impact.

The corporation wants to work closely with the local authorities, and has been encouraged by the co-operative spirit shown so far. Differences are sure to arise, however, which will call for tact and skill on both sides in the pursuit of the improvement of the area for everybody.

The outlines of a development strategy have been devised by Ecotec consultants in a plan which was published last month. The plan is likely to be modified and added to by the board of the corporation, in co-operation with the Environment Department, but it provides an idea of the way in which the corporation is likely to move. It calls for:

- 400,000 square metres of industrial development concentrated primarily in four large estates—two in the north close to the M6; one in the centre; another in the south west. Additional estates for immediate development are suggested for the south east, close to the M5;
- 60,000 square metres regional shopping centre in the centre, together with 40,000 square metres of retail development in smaller, existing centres;
- expanses of park and open space;
- a dual carriageway road running southwards from the proposed Black Country route in the north through the central zone and eastwards to connect with the M5—although external communications with the area are very good, within the area they are poor;
- functional and environmental improvements of existing industrial areas and three town centres.

Parallel to this strategy, the consultants propose an economic development initiative, involving the active fostering of product and process development in existing companies in the area, and provision of finance for small firms. It is suggested the corporation could set this up in association with banks, the West Midlands Enterprise Board, and chambers of commerce.

Implicit in this recommendation is the assumption that very large-scale manufacturing will not return to the Black Country any more than to any other part of Britain. Environmental improvement in this area, however, has to be accompanied by job creation, which can be done partly by building on what is already there, and partly by making this an area that business—industrial, commercial, and service—want to go to.

Hazel Duff

Communications

The base for business growth

Birmingham's famous Spaghetti Junction: the Midlands is set to benefit from improving road, rail and air links

GOOD COMMUNICATIONS are critically important in maintaining the prosperity of a region. They are the link to other parts of the country and the means for efficient distribution of goods and circulation of people.

The West Midlands scores well on the first count, with good road, high speed rail and air links. The East Midlands has come out less well, particularly as far as roads are concerned; although the long awaited go-ahead for the east-west M1-A1 link, which will also benefit the West Midlands, and the whole area's access to the East Coast ports, promises to go some way towards rectifying the situation.

Continuing up-grading and new building of the road system is vital in a country where roads carry by far the major part of freight traffic.

Birmingham is at the centre of Britain's motorway network. Connections to the south west and South Wales by the M5/M50, to the north west by the M6, and the south east by the M6 and M1, are good. But they also suffer from having been first in the field, and from very heavy usage, which have led to extensive maintenance and frequent delays. The M5, for instance, was built 25 years ago.

Much of the traffic using these motorways is local, something which the planners overlooked as they did much later in the case of the M25.

The solution has to be more roads, and more bypasses, to relieve the present position. A major boost for the region will be the planned extension of the M40 London to Oxford motorway on to Birmingham. The Department of Transport, in its road policy document for 1987, said it was likely "to prove to be the single most important length of highway infrastructure in the regeneration of the West Midlands economy."

Besides providing an alternative route for the heavy goods vehicles using the M1, it is expected to generate more tourist traffic for traditional attractions like Stratford-on-Avon, and leisure traffic for all of the cities and towns in the region.

Work on the first of two contracts for the Warwick section between the M42 and A46 was due to start last month (June). Statutory provision for the Gaydon and Banbury bypass sections is almost complete and work on the first of five contracts for these sections is due to begin at the end of the year. The aim is that the whole of the route will be open to traffic by 1991.

Also making progress is relief for the M6, and the A6 through the conurbation, from the A446(M) Birmingham Northern relief route.

Economic indicators point to the West Midlands continuing to pull out of the deep recession which so knocked the region in the early 1980s, although it still has considerable ground to make up if it is to get back the level of prosperity relative to the country as a whole it enjoyed in the 1970s.

If this prosperity is to be enjoyed equally in the region, substantial improvements are also needed in the internal communications systems, particularly in areas blighted by industrial decline like the Black Country—Dudley, Sandwell, Walsall and Wolverhampton. Part has now been officially designated as one of the new urban development corporations, which will be inaugurated formally at the end of the month by Mr Nicholas Ridley, Environment Secretary.

It is hoped that the Government's recognition of the need to improve the environment of the area as a pre-requisite to economic regeneration will speed the construction of the main artery of improved communications, the so-called Black Country route. The consultants' report, which is likely to form the basis of the urban development corporation's plan, calls for the route to be completed to junction 10 on the M6 as soon as possible.

As well as facilitating industrial development, the route will help to promote a proposed regional shopping centre in the middle of the area.

The British Road Federation argues that a by-pass on the A449 Kidderminster, Stourbridge and Wolverhampton, costed at £120m, is also urgently needed.

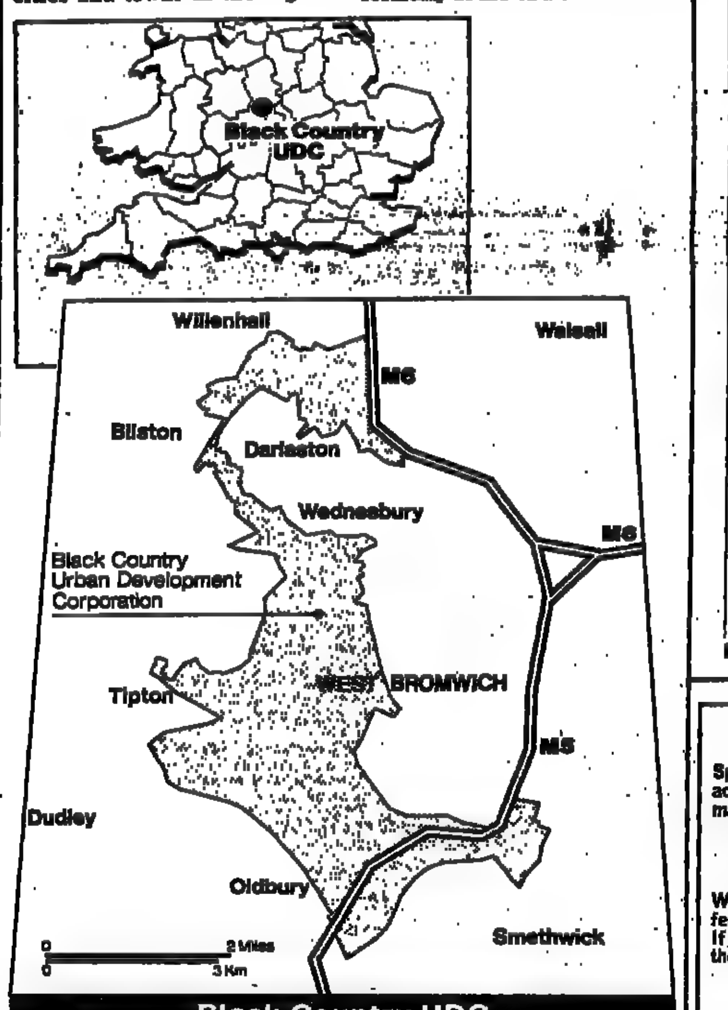
In the East Midlands, considerable progress has been made on improving the trunk road network, particularly with the provision of by-passes. The M1-A1 link, with the associated A43 Kettering Northern by-pass, has been given the go ahead. Decisions on the A564 route between Stoke and the M1 near Nottingham—the Stoke-Derby link—are expected.

In the East Midlands, the up-dating to high speed trains has improved journey times and raised comfort levels on main routes. Better rail-bus timetabling, however, would improve public transport communications throughout the region.

Birmingham airport, now directly linked to the National Exhibition Centre and the rail network, has seen a steady growth in passenger traffic—much of it from charter flights, but also increasingly from scheduled services to other parts of the UK and the Continent.

The East Midlands airport, where charter traffic accounts for a higher proportion of movements, is also a very successful venture. Development of its cargo handling facilities also continues to meet actual and forecast growth in demand.

Hazel Duffy



Black Country UDC

Continued from page 1

opinions and refining its proposals between now and the end of September when a further meeting is scheduled to draw up an action plan.

The next few months will clearly be crucial with the Government assessing what role West Midlands United might play as it draws up plans for the inner cities, new enterprise and regional policy.

The forum, formed in 1983 for an ad hoc study into the problems of unemployment, is clearly a body with clout embracing the chief executives of most of the leading companies.

The suggestion they, together with the public sector, might draw up the framework and guidelines within which individual initiatives can flourish parallels exactly the government philosophy expounded by ministers such as Lord Young.

Both the government and employers will point to the revival that is already taking place in the region, the number of new companies coming to the stockmarket, the major investments proposed for shopping and leisure facilities.

Perhaps one of the best indications of the entrepreneurial spirit of the Midlands is the fact that it is the labour-controlled Birmingham council that has embarked upon a £121m project to establish the city as an international convention centre.

The pump-priming exercise is already drawing in private capital, including a £31m Hyatt International Hotel, with the aim of creating thousands of new jobs and generating income of more than £54m a year.

SECTION IV

FINANCIAL TIMES SURVEY

Gulf Co-operation Council

Leaders of the six states (left to right): Sheikh Jaber al-Ahmad al-Sabah of Kuwait; Sheikh Isa bin Salman al-Khalifa of Bahrain; Sheikh Khalifa bin Hamad al-Thani of Qatar; Sultan Qaboos bin Said of Oman; King Fahd bin Abdel-Aziz of Saudi Arabia; Sheikh Zayed bin Sultan al-Nahayan of the United Arab Emirates

Galvanised by the Gulf war

The six states of the Arabian peninsula have been encouraged to form a new political alliance by the Iran-Iraq war. Together, and with external support, they have helped to prevent the regional conflict from spreading, writes **Andrew Gowers**, Middle East Editor.

IN THE QUARTER century since the tiny Arab Gulf states began to achieve full independence from their ertswhile colonial partner, Britain, a worrying question has refused to go away: who is to act as policeman in a region that is at once among the most turbulent and strategically-important in the world?

Today the question is being posed with perhaps more insistence than ever before as the Iran-Iraq war, nearing the end of its seventh bloody year, takes an increasing toll on shipping, menacing the moderate Arab states of the region and threatening to draw in outside powers. And still there is no international consensus on a satisfactory answer.

Iran, whose campaign against Iraq is as much as anything about the right to dominance in the Gulf, claims that it—as the country with the longest coastline and a pressing need for access to the sea in order to ship its oil—has the prerogative to safeguard freedom of navigation there.

The US, arguing that the free flow of oil from the region is a vital Western interest, threatens to respond with force to any threat from Iran or the Soviet Union, and is proceeding with plans to step up its commitment by protecting Kuwaiti ships. Moscow, which has its own warships in the waterway and claims its own interests in a region not far from its southern borders, bitterly criticises the American presence and calls for the withdrawal of all foreign navies.

But as the international controversy rages, it is often overlooked that the Arabian Peninsula states have been quietly working on their own response over the last six years by building an alliance which marks a new departure in the fractious and ever-shifting politics of the Middle East.

The Gulf Co-operation Council—comprising Saudi Arabia and its five smaller neighbours, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman—was established in 1981 with a view to enhancing policy co-ordination in a wide range of spheres.

In its short life, it has helped to bring a measure of cohesion and stability to the Arab states of the Gulf which few would have believed possible in the face of such regional turmoil. Although it has been careful to emphasise the economic and social aspects of its work, its political contribution to containing the flames of the Gulf war should not be underestimated.

For the West and Japan, it is a matter of the utmost importance to be able to deal with such a bloc of like-minded friendly regimes. Together, the six GCC states control about half the non-communist world's oil reserves. They all pursue moderate oil pricing policies designed to strike a balance between the interests of low-cost producers and consumers and to ensure a long-term market for their product.

While the importance of Gulf crude may have diminished in the past few years of glutted markets, the GCC states still provide a significant proportion of the oil needs of Europe and Japan. And their huge reserves mean that they are bound to be in a pivotal position again by the 1990s, when output from other producers is widely expected to have declined.

Strategically, they flank vital sealanes in the Gulf itself and in the Red Sea. Financially, their affairs are closely associated with those of Western banks and markets, where several of them still have immense investments despite having drawn down on their savings during the past couple of economically-difficult years.

For Western business, if the going has been tough of late, they still constitute a major export outlet—and one that is likely to become crucial again in the widely-predicted event that their oil fortunes recover in the next few years. It may also be possible for exporters to regard the six as a more unified market in the future as a result of their efforts to achieve economic integration.

The idea of co-operation in the Gulf is actually not new. From the 1960s onwards, there were efforts to work together between individual states, and especially between the Arab monarchies and sheikhdoms of the region—aware both of its innate potential for instability and conflict and of their own vulnerability.

Such moves were given a degree of impetus by the decision of Britain—which had acted as guarantor of the security of the tiny littoral states—to pull out of the Gulf announced in 1968. This eventually prompted the creation of the rather loose federation known as the United Arab Emirates, for example, out of the seven tiny Trucial States after British withdrawal in 1971. (Bahrain and Qatar also considered joining but in the end opted for independence.)

The end of the *pax britannica* created a new situation, with a potentially dangerous disequilibrium of forces between Iran and Iraq on the one hand—populous and arming themselves to the teeth—and the Arabian peninsula countries, with their small indigenous populations and less well-developed military capabilities.

There was talk of a security pact among all eight littoral states including Iran and Iraq in the early 1970s—but with no special urgency. The conservative Gulf states were, if anything, more concerned about a possible threat from Iraq—with its secular revolutionary ideology—than from Iran. A degree of reassurance was provided by the close relationship between Iran and the US, whose policy relied on the "twin pillars" of Iran and Saudi Arabia to ensure Gulf security.

But if the 1970s were a peaceful decade, the governments of the region were well aware how little they had in common. An attempt to co-ordinate defence and security policy at a meeting of Gulf foreign ministers hosted by Oman in 1976 ran swiftly into a dead end.

But the whole climate changed beyond recognition in 1979, when the Iranian revolution brought the more powerful of America's twin pillars crashing down and set in train the events which led to the Gulf war. The virulent rhetoric which started pouring out of Teheran under Ayatollah Ruhollah Khomeini sent shudders of concern through Saudi Arabia and its negihbours. So did the Soviet invasion of Afghanistan at roughly the same time.

Iraq's invasion of Iran in September 1980 provided the final spur to action. The following February, foreign ministers from the UAE, Bahrain, Qatar, Oman, Kuwait and Saudi Arabia met in Riyadh and unanimously agreed to establish the GCC.

A wide-ranging charter for the new organisation was ratified by heads of state in May, calling for policy co-ordination "in all fields" and referring to the aim of achieving unity between the six countries.

The war was a catalyst for the six conservative Gulf states to band together in a number of ways: it raised general fears of a regional conflagration, and questions about the durability of their political systems in the face of destabilisation by militant Islam, but it also effectively tied down the two states who had least in common both with each other and the six.

Without Iran and Iraq, the other Gulf states were a remarkably homogenous bunch. They shared a common language, common culture and religion, a certain amount of common history, similar economic structures and—perhaps most important—very similar traditional systems of government. The fact that they were faced with a common threat merely caused these various types of cement to solidify.

From the outset, the GCC has had to be very careful to define what it is and what it is not. It has taken pains to point out, for the benefit of those in the Middle East who still nurture dreams of Arab unity, that it does not regard itself as a substitute for the Arab League nor as an exclusive power bloc.

It repeatedly emphasised in the early days that it was not a defence alliance as such, still less one explicity aligned with the West. Instead, much attention was given to efforts to foster economic integration, and to develop a more generalised sense of identity between the peoples of the Gulf. It publicly modelled itself on the European Community rather than Nato.

Nonetheless, the GCC has now closed ranks to the extent that most experts conclude that it will not admit any other members for the foreseeable future, that it will remain what one analyst calls "an exclusive club of traditional and benevolent autocracies." And in recent years it has gradually lost its inhibitions about openly discussing security matters.

There are, of course, fairly tight limits to the consensus which the GCC states can muster on the crucial defence and foreign policy issues confronting them. In matters of security, they have a long way to go before they will be able to mount a credible collective defence on their own.

Delicate issues of national sovereignty remain to be addressed, and even then most experts believe the best they can hope to do, with the limited manpower at their disposal, is to deter attacks and buy time until outside help arrives.

As one expert, Mr Ralph King, comments in a recent book on the Iran-Iraq war: "The notion of the independence of the Gulf states is something of a fiction, but it is a very useful one. This kind of rhetorical shield is in many ways as important as a military one. Outside assistance must be delivered on request, and seen to be requested.

In foreign policy, considerable nuances divide the member states, for example in their dealings with Iran: the UAE and Oman have shown a greater keenness to avoid offending Tehran by openly allying with Iraq than has Kuwait—in part

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CONTENTS

The six countries have begun to work together on defence, reports **Andrew Gowers**

Acutely aware of vulnerability

TWICE A DAY in the centre of Riyadh, a low roar is heard and several large, bulbous shadows loom slowly over streets and buildings. They are cast by Airborne Warning and Control Systems (Awacs) craft which are stationed at the Saudi capital's old airport and which have been flying regular surveillance missions in defence of Saudi airspace since the early stages of the Iran-Iraq war.

The converted jumbo jets, or Boeing E-3As, of which the US is delivering five to the Saudis, are supposed to form the centrepiece of a sophisticated air defence system for the Kingdom. They are also the most visible symbol of the preoccupation with defence and security matters which has always obsessed Saudi Arabia and its Gulf allies, and which has come to dominate the affairs of the GCC.

Notwithstanding the economic recession in the region, the GCC states still spend a fortune on defence. Several of them have among the highest defence budgets per head of population in the world and, until quite recently, the six countries accounted for something like half of all defence outlays in the developing world. Even in straitened 1986, total spending was probably at least $22bn.

Saudi Arabia, of course, has accounted for the lion's share, dishing out well over $150bn over the last 10 years. And—by an unspoken axiom of the GCC—it is on Saudi Arabia that the fortunes of the other states will rest. Slowly and cautiously, nudged forward by shocks from the Gulf war, the six countries have begun to work together in delicate matters of defence and security, with a view to providing a credible deterrent to external challenges.

In this, as in so many other aspects of policy in the Gulf, it is a question of striking a balance: between the states' desire to be seen to be capable of defending themselves on the one hand, and their need for an "over-the-horizon" external ally to back them up in the event of a serious and uncontainable threat on the other. The essential aim of GCC policy is deterrence: as one commentator defines it, "the ability to make hostile attack sufficiently costly that it is manifestly unwise."

There is also felt to be a need for balance between the security umbrella provided by the militarily strongest and most effective members of the GCC, Saudi Arabia and to some extent Oman; and the weaker members' fears of Saudi hegemony.

Key military statistics

	Regular armed forces	Defence budget ($)	Combat aircraft
Bahrain	2,800	135m*	6
Kuwait	12,000	1.83bn†	80
Oman	21,500	1.56bn*	52
Qatar	6,000	166m‡	23
Saudia Arabia	67,500	17.69bn†	216
UAE	43,000	1.88bn*	56

* 1986 † 1985-86 ‡ 1983-84

Source: The Military Balance 1986-87, International Institute for Strategic Studies, London

All six are acutely aware of their vulnerability. They all have relatively small indigenous populations with which to mount an effective defence, and large contingents of expatriate workers which have to be handled with care. The Gulf's four littoral states are just too tiny to defend themselves alone. Saudi Arabia, while it and Oman have a greater advantage in terms of strategic depth, is large and empty, and its prize asset—the oilfields—are right next to the Gulf.

They also have a startling range of threats to consider. In the first place, although the Iran-Iraq war has hitherto been remarkably circumscribed in its effects, there is always the danger that it will spill over to the southern side of the Gulf or suck the GCC states into conflict. That can hardly have diminished with the recent upsurge in the "tanker war" and Iran's hostile rhetoric about the US plan to protect Kuwaiti shipping.

The Saudis, in particular, also have longer-range concerns: the dangers of spillover from any deterioration in the Arab-Israel dispute, and above all what they regard as the threat from the Soviet Union.

In addition, there have been serious concerns about internal subversion in some of the countries, some of it manipulated from outside: the December 1981 Iranian-backed coup attempt in Bahrain, for example, and terrorist activities in Kuwait, including attacks on the French and US embassies in 1983; an attempt on the life of the ruler, Sheikh Jabah al Ahmed al Sabah, in 1985; and sporadic bombings at oil installations.

As far as keeping tabs on the internal threat goes, the GCC states do possess relatively effective security forces and have actually made some significant progress in co-ordinating their activities. In the wake of the Bahraini crisis, Saudi Arabia managed to sign a series of bilateral treaties on internal security co-operation with four of its Gulf allies calling for the exchange of information, training and equipment, and the extradition of criminals.

(Kuwait remains the odd man out in these arrangements, partly because of a concern that the extradition clause violated its constitution and partly because of objections to a provision allowing forces of one country to pursue suspects into another's territory.)

Defence against the external threat is a much more difficult matter. But here, too, the GCC states have taken some small steps towards a collective effort. They have established a Military Committee associated with the GCC secretariat; military chiefs of staff and defence ministers have met regularly since 1982. Efforts are under way to co-ordinate air defence arrangements, and to try and harmonise equipment as far as possible.

There is a small joint GCC force known as Peninsula Shield, which has served as the nucleus for joint military exercises in several member states in the last few years. Based at the King Khaled Military City at Hafr al-Batin near the Saudi-Kuwaiti border, the force consists of about 1,000 men under the command of a Saudi major-general and staff officers from all six member states.

Mr Abdullah Bishara, the GCC secretary-general has been quoted as saying Peninsula Shield is largely symbolic, and that its military effectiveness should not be exaggerated. But defence analysts in the region say that the joint military exercises conducted under its auspices have been becoming more sophisticated of late. Observers were particularly impressed with this year's effort in Oman.

"Previous manoeuvres tended to be get-togethers of national forces with demonstrations of firepower and equipment," said one. "On this occasion it was a major field exercise, involving all the phases of war."

There has been pressure in the past, notably from Saudi Arabia, to go further and work towards the creation of a joint Military Command, though this looks a long way off at present. Also under study is the possibility of building up a local arms industry—possibly by reviving in a different form the Arab Military Industries Organisation, a joint venture between the Gulf states and Egypt which ran aground after Egypt's Camp David treaties with Israel.

Nevertheless, there are a number of structural and political problems which are bound to limit the ability of the GCC states on their own to do much more than deter threats—either individually or collectively.

One is the sheer size of the territory to be protected relative to the resources at their disposal. Although the GCC states have significant numbers of men under arms compared to their total populations, their forces are dwarfed by those of both Iran and Iraq.

Second, they are reliant to an uncomfortable extent as it is on foreign manpower and technical advisers. Saudi Arabia, for all its advances in recruiting and training indigenous personnel, is a case in point: about 1,700 US military advisers are believed to be stationed in the Kingdom; in addition, there are several thousand expatriate personnel working for US, British and French military contractors, and probably at least 10,000 Pakistanis serving in the Saudi armed forces.

Third, there is the question of equipment. The sheer scale and speed of the Gulf states' military purchases in the last 10 to 15 years has been breathtaking. But there is a limit to the pace at which it can all be absorbed, in terms of training and local expertise.

The fact that the material comes from a bewildering diversity of sources only makes it more difficult to envisage integration: GCC states are at present equipped with arms from the US, Britain, France, West Germany, Italy, Switzerland, China, the Soviet Union and Brazil. Indeed, they have been making conscious efforts to diversify weapons purchases away from the US in recent years.

Mr Mazher Hameed, executive director of the Washington-based Middle East Assessments Group, observes in his recent book Arabia Imperilled: "The procurement of these weapons was not well planned from the standpoint of either collective or individual requirements, except in Saudi Arabia and to some degree in Oman. There is little prospect that even a tenth of the firepower and defence potential available in the smaller states' inventories can be realised, which in turn places a burden out of all proportion on Oman and, especially, Saudi Arabia."

Fourth, the whole issue of collective defence raises some very ticklish issues connected with sovereignty of individual GCC states and political power within them. The Gulf countries have been—and will probably continue to be—very reluctant to give up national control over any military matters of substance. Even the rival emirates of the UAE have maintained separate "regional commands" within their single Federal Union Defence Force.

Awacs: most visible symbol of preoccupation with defence

The sensitivity of the problem is exacerbated by the obviously uneven spread of military clout between powerful Saudi Arabia and its smaller neighbours.

Furthermore, the development of a powerful, centralised military establishment might create difficulties of its own for the GCC states.

Gulf rulers are all aware to some degree of the political dangers which strong and independent-minded military elites have posed elsewhere in the Third World, and are anxious to avoid anything of the kind at home. This is believed by many analysts to be one reason why Saudi Arabia's land forces are divided into two quite distinct structures: the 40,000-man Royal Saudi Army and the 10,000-man Saudi Arabian National Guard.

None of this should be terribly surprising, especially when one considers how difficult the Nato alliance still finds the issues of burden-sharing and common procurement after nearly 40 years of existence. But in the circumstances, it does mean that the GCC states are having to be pragmatic about which areas they can fruitfully cooperate in.

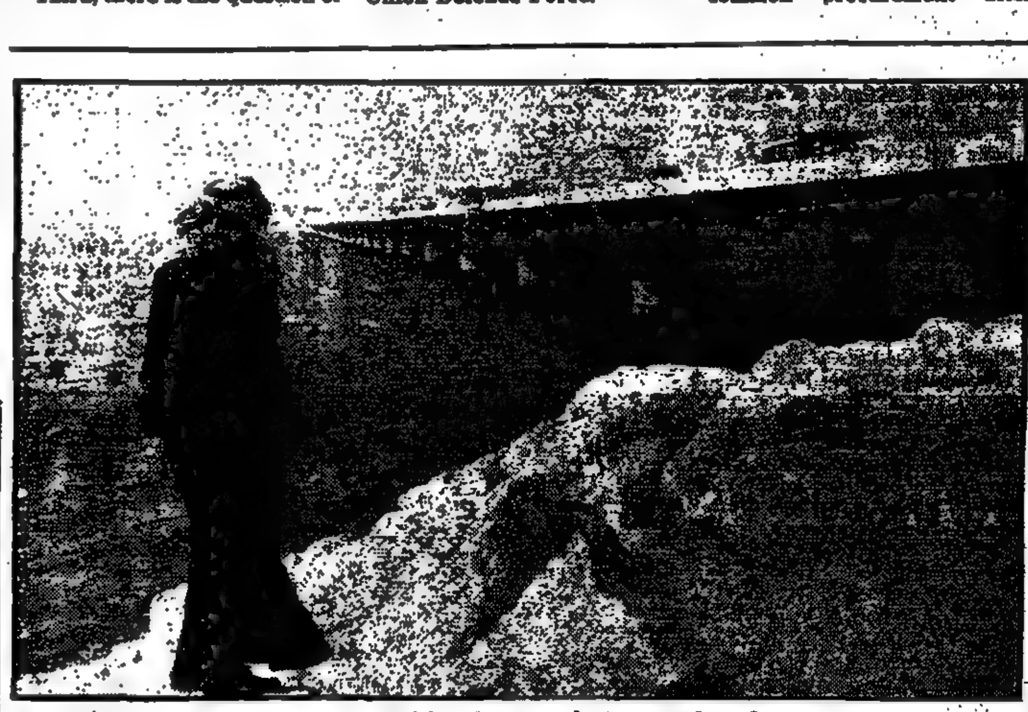
The conclusion of most commentators is that it is in the air, and to some extent at sea, that the Gulf countries are likely to be best able to develop their joint capabilities. Any regional threat is, in any case, more likely to materialise via air or sea attacks than on land, they argue.

Mr Hameed writes: "Geography confers a special strategic importance upon air power. . . . The GCC states are at an advantage over their regional rivals in developing these capabilities. They are equal to the task of developing the relatively limited numbers of trained manpower needed to operate an effective air force. Air power serves as an effective 'equaliser' against more populous adversaries."

Hence the importance of the Awacs, and of Saudi Arabia's so-called "Peace Shield" air defence system. This is the most advanced set-up of its kind outside Nato, consisting of command, control, communications and intelligence facilities linked to anti-aircraft missiles and interceptor aircraft. It is costing a total of about $4bn, and is due for completion by US contractors by 1992.

The challenge for the GCC lies in integrating this with systems in other member states, such as the UAE's projected Lambda air defence system and Kuwait's Thomson radars and Hawk missiles.

But it is and will remain Saudi Arabia that provides the real backbone of the GCC's own defence efforts. It also remains true that the (preferably discreet) presence of friendly forces over the horizon is a necessary reassurance which would have to be called on in the event of a serious confrontation involving the Gulf states.



Saudi-Bahraini relations were cemented late last year by the opening of a causeway

Intra-GCC relations

Saudis consolidate dominance

THERE HAS traditionally been a curious anomaly in Saudi Arabia's international position: despite its immense wealth and resource base it has adopted a singularly low political profile.

The GCC, however, has provided a forum within which the Kingdom can begin to assert the regional pre-eminence due to it by virtue of its size, riches and military capacity.

In effect, the development of the GCC has consolidated Saudi dominance of the Arab Gulf states, which are of the greatest economic and strategic interest to Riyadh. Overall, the Kingdom has set the pace and tenor of changes in the region's political landscape, and has steadily enhanced its own position in bilateral dealings within the GCC. The expansion of its political role as its economic prospects improve in the next few years will to a great extent depend on the pattern of leadership which it is now establishing.

The relationship between Saudi Arabia and Kuwait is the most important for both GCC partners. Not only do they share a good deal of history, but they have overshadowed the political environment of the other Gulf states. Kuwait has, since independence in 1961, pursued a foreign policy line unique among GCC states in its longstanding recognition of the Soviet Union. The country's more sophisticated internal politics and press, as well as its elected parliament, further set it apart from its neighbours. Despite possessing a fraction of Saudi Arabia's territory and population, Kuwait has succeeded in creating a strong regional identity. A certain degree of competition with Riyadh reflects the disparate political styles of the two states.

Whatever potential Kuwait once had to challenge Saudi leadership of the Gulf has largely passed since the GCC's formation. Saudi Arabia's size and strategic weight are simply too big to ignore. Kuwait has maintained some autonomy by refusing to sign the defence pact agreed by the other GCC states, possibly through its sensitivity to Iran's disapproval of the pact.

A relatively minor territorial dispute between Kuwait and Saudi Arabia over the control of two Gulf islands remains unsolved to date.

Given Kuwait's persistent past opposition to superpower presence in the Gulf, it is ironic that Kuwait is now the prime mover in involving both the US and USSR in the area. This policy shift has been given some support by the Saudis, who agreed to extend the patrol range of their Awacs to cover an increasingly militarised Gulf.

The fragile internal situation in Kuwait, evidenced by the increase in acts of sabotage over the past six months, probably influenced Kuwait's decision to involve a protector capable of meeting any externally-inspired challenge to its government. Riyadh will certainly be anxious to contribute to any strengthening of Kuwait, which occupies a vital geographical position along the northern edge of its main oilfields.

Saudi-Bahraini relations were cemented late last year by the opening of a causeway linking their countries. Bahrain's majority Shi'a population and its more relaxed social milieu, differ markedly from its neighbour, though the island's Sunni leadership has drawn closer to Riyadh through the GCC. Bahrain's vulnerability to internal sabotage and external threats have also contributed to this closeness.

Iran has longstanding irredentist claims to the island and has been implicated in a number of plots against it. Saudi ties are seen by Manama as some counterbalance to this danger. The Kingdom is a major player in the Bahraini economy, through extensive banking links, commercial ties, and government investment and aid. Some economic problems have risen of late, notably in the banking sector which has been hard hit by the economic downturn in the Gulf.

Saudi Arabia has arbitrated two major territorial disputes between Bahrain and neighbouring Qatar in recent years. Both countries are anxious to claim any land with strategic or economic potential. In the case of land-poor Bahrain, territorial additions of any quality are welcome.

Culturally, Qatar is the UAE state closest to Saudi Arabia, having a Wahhabi leadership and population. It is, however, as vulnerable as Bahrain and heavily dependent on backup by Riyadh in the event of serious threat. Qatar's small population base makes a self-defence policy impractical.

The poor relations which exist between Qatar and Bahrain have highlighted Riyadh's role as a channel of communications between them. Saudi policy towards both countries has been attentive, and has shown great sensitivity to events which could threaten either country or GCC unity.

In turn, both Bahrain and Qatar follow Riyadh's foreign policy line quite closely. The only major source of strain that may arise is in their close economic relationship with Saudi Arabia, and the problems posed for the Bahraini economy by the opening of the causeway. Trade in Bahrain itself has already suffered in consequence.

Saudi-UAE relations have progressed well since the foundation of the GCC. The UAE is closer to Tehran than any of its GCC neighbours, due to longstanding trade and cultural links. Despite this, the Emirates have maintained an active, co-operative participation in the GCC and have supported Saudi policy there. Both Saudi Arabia and the GCC have profited from the channel of communications the UAE provides to Iran. There are areas of inbuilt, historically-rooted distance in Saudi-UAE relations, not least the relatively recent (1974) settlement of Saudi territorial claims in the area.

Saudi relations with the UAE as a whole are also impaired by the tension which has bedevilled the relationship between Abu Dhabi and Dubai, the UAE's two major states. Although this friction is directly linked to indigenous causes, it has created a delicate diplomatic situation for Riyadh.

Saudi would like to consider the Emirates as falling within its sphere of influence, though to a lesser degree than Bahrain or Qatar. However, its practical ability to influence matters there, as in the most recent case of Sharjah, rests directly on the willingness of the individual UAE states to heed Saudi advice. While strong rivalries exist in the UAE, Saudi Arabia always risks finding its influence disregarded or exploited as circumstances change; Riyadh has every reason, therefore, to ensure that UAE unity is maintained.

Like Bahrain and Qatar, Oman has been a major beneficiary of Saudi defence funding. The long, vague frontier between Saudi Arabia and Oman has been a source of friction in the past, but Oman's early concern with the strategic problems facing the GCC, and its open advocacy of a militarily defensible Gulf have drawn Saudi Arabia and Oman together on this issue. Despite Oman's different cultural and religious traditions and its ruler's preference for keeping his own counsel in a number of areas, Oman has supported Saudi oil and defence policies. Oman's bilateral defence arrangements with Britain, and the bases it provides to the US, are accepted by Saudi Arabia, if not always openly supported.

Saudi Arabia and its Gulf neighbours have overcome historical rivalries to an impressive degree, at least on a bilateral basis. Through the GCC, Saudi has realised its goal of regional leadership in a controlled forum and on a scale which suits its aspirations—relatively homogenous, confined, specific but undoubtedly powerful and important.

However, recent events in Kuwait and the Gulf have underlined that Saudi dominance depends on a continuation of the status quo in a general way. Western military intervention in the face of a direct threat to the Gulf by Iran or Iraq will raise questions about the GCC's fundamental purpose and the effectiveness of the military muscle which lies behind Saudi Arabia's perceived power within the GCC.

Joan Wucher King

Relations with EC

Saudi petrochemical exports are stumbling block to pact

AFTER YEARS of desultory talks about talks, the European Community and the Gulf Co-operation Council agreed at the end of last month to open negotiations designed to formalise their relations.

Both sides are bracing themselves for some hard bargaining, since the talks—due to start in October—threaten to bring niggling bones of contention between them sharply into focus, especially on the question of Saudi petrochemicals exports to Europe.

Although GCC talks with Europe are both further advanced and more contentious than similar efforts with the US and Japan, it is curious that a proper co-operation agreement between the two regions does not already exist.

There are all sorts of reasons why the EC should want to consolidate and extend the strong historic ties between one of its member states—Britain—and the Arab Gulf nations.

Europe, for example, is dependent to a much larger degree than the US, say, on Gulf oil (though less so than Japan). In the last few years, more than 20 per cent of the oil consumed in the EC—or 12 per cent of its total energy requirements—came from the Gulf (including Iran and Iraq).

What is more, the Gulf has been an exceptionally lucrative market for European goods. West Germany, France, Italy and the UK are all among the top six suppliers to the region, and their sales have continued to be large even during the lean years.

The Community's own petrochemical industry is vehemently opposed to a free trade agreement with Brussels

Politically, the EC countries are in a position to capitalise on the Gulf states' desire not to be seen to be too close to Washington. The Community's stand on the Arab-Israel conflict, enunciated in the 1980 Venice declaration, ought to make it an interlocutor with which Gulf leaders can deal more comfortably than they can the US; the quiet British and French naval presence in the region is also appreciated.

Individual EC states—notably Britain and France—have profited in recent years from a politically-inspired wish on the part of GCC members to diversify their weapons purchases.

Yet, despite all the bilateral to-ing and fro-ing, attempts to establish more formal co-operation between the two blocks have up to now dismally failed to get off the ground. Why?

One reason must lie in the fierce competition between EC member states in such areas as arms sales. With France and Britain jockeying for influence, it has been difficult for them to sit down and talk comprehensively about their common interests in the Gulf.

For its part, West Germany—although as the most economically powerful EC state it has as much of a stake as the others in trade with the GCC—has maintained a very low political profile, as it does elsewhere in the Middle East.

For reasons connected with its not-so-distant past, Bonn would need a broad political framework agreement before it could take a closer interest in Gulf security matters.

It may also be that the Europeans have not had much of a sense of urgency about embarking on what would inevitably be a difficult set of negotiations. After all, the oil market has been in glut, and the Gulf conflict has yet to threaten European supplies.

As Valerie Yorke and Louis Turner pointed out in a 1985 report for Britain's Policy Studies Institute and Royal Institute for International Affairs, "the European response, like that of the Americans, to the dramatic change in the oil market since 1982 has been to 'shelve,' or at least to demote, policy discussions on the Gulf rather than to adjust policy to take account of the effects of the oil glut."

At the behest of Saudi Arabia, which is the only member state with a significant petrochemicals industry in the shape of the Saudi Basic Industries Corporation (Sabic), the GCC has made it a top priority to press for improved access to the European market for its products.

What the organisation ideally wants is a free trade area with the Community, or failing that some form of preferential arrangement along the lines of the accords the EC has with Mediterranean countries. In return for duty-free access for petrochemicals, the GCC would agree to cut the tariffs which it levies on a range of its imports.

"GCC-EC relations warrant a special type of accord, which takes into consideration the special relationship between the two regions—the complementarity between them in economic and security matters" says Mr Abdullah Bishara, the Council's secretary general.

At present, Saudi petrochemicals sales to Europe are subject to the Generalised System of Preferences, which is designed to help industrialisation in the Third World. This means that a limited volume of the products can be imported duty-free, and that tariffs ranging between 12 and 14 per cent are applied to anything above that quantity.

The problem for the Saudis is that the volume of each product allowed in without tariff is so small: in the case of methanol, for example, it is less than a single ship-load and a minute fraction of the Kingdom's 1.25m tonne annual production capacity.

So, as Saudi output of a range of chemicals has expanded massively over the last few years, tariffs have been slapped on them; the most recent example was urea, tariffs on which have sparked a new wave of protests in the past few weeks.

More broadly, as the 1985 Policy Studies Institute report points out, the GSP was intended for rather different cases than that of Saudi Arabia in any event; it set out to encourage poor countries to develop basic manufacturing industries, not to accommodate a wealthy country which can gain a significant share of some international markets with its very first set of investments.

The political capital being invested in this issue by the GCC might seem strange. Although they have grown rapidly, Saudi petrochemical sales still only account for a small proportion of the Kingdom's total export revenues.

In any case, Europe is not the biggest market for Saudi products. Last year, according to figures from Mr Abdel-Aziz al-Zamil, the Kingdom's industry minister, nearly 50 per cent of Saudi petrochemical exports went to the Far East compared with only 28 per cent to Europe.

What is more, there are signs that not all GCC states share Saudi Arabia's overriding concern with the petrochemicals issue. Oman, for example, vigorously objects to the idea of a free trade agreement, and is more interested in aid that might be on offer under any agreement with Europe.

There may be other countries in the GCC which agree with Oman that the negotiations have in effect been hijacked by the Council's most powerful member, though perhaps they do not express their view so vocally.

"We don't think that everyone in the GCC understands the view of the EC," says Mr Salim bin Abdullah al-Ghazali, the Oman Commerce and Industry Minister.

"We haven't identified who is going to benefit from this type of relationship with the EC, and who is going to lose. Maybe Saudi Arabia will benefit; maybe Oman will not benefit."

Some foreign diplomats also criticise the Saudis for allegedly not having done their homework on the tariffs that their petrochemicals were going to be exposed to in Europe. But there is no escaping the fact that the petrochemicals industry is much more important politically to Saudi Arabia than its contribution to revenues would suggest.

It is seen by the Saudis as a test case for the Kingdom's attempts to industrialise and to diversify its economy away from dependence on crude oil pure and simple.

"It is a symbol of diversification, of progress and transfer of technology," said one senior diplomat.

The collapse in the oil market has only increased the urgency of such efforts. In this sense, Europe's tariffs on petrochemicals are viewed in the same light as the perceived reluctance of British companies to make investments in the Kingdom to offset part of the value of Saudi Arabia's recently-agreed purchase of 72 Tornado aircraft: as a failure to endorse and support its industrialisation process.

Attention is also insistently drawn to Saudi Arabia's trade balance with the EC, which shows a substantial surplus for Europe.

"The Gulf states are making great efforts to diversify their economies, and reduce their dependence on oil as an all-dominating source of income," says Mr Abdul Karim al-Mudaris, secretary general of the Arab-British Chamber of Commerce.

"While they look to intra-Arab trade to absorb a good proportion of their products, they are obviously entitled to expect that access will be available to Western markets including the EC, particularly when their own markets are open to deep penetration by EC industrialists, agricultural producers and financial managers."

But, if Saudi Arabia is insisting on a better deal for its petrochemicals, the EC is equally adamant that there is very little room for manoeuvre in its position. The European petrochemicals industry is, of course, vehemently opposed to a free trade agreement. And with one voice, officials from the 12 maintain that such a far-reaching accord is out of the question.

The Mediterranean agreements cannot be used as a precedent for the GCC, they argue, since the Gulf is not next door to Europe. Setting up a special deal might not be in accordance with the General Agreement on Tariffs and Trade (Gatt) and would incite all sorts of other countries to queue up for similar treatment; in view of the foreign investment in the Saudi industry it would also create strange anomalies.

As one European diplomat in Riyadh asks: "Why should we give duty-free access to Mitsubishi chemicals from Saudi Arabia when we don't give similar treatment to the same company's products from Japan?"

Other arguments used against preferential treatment of the GCC include what the Europeans describe as the subsidisation of the Saudi petrochemical industry, which benefits from cheap feedstock.

The whole dispute can be expected to start coming to a head this autumn. The final irony is that this is happening at a time when the European industry's fears about a flood of cheap Saudi petrochemicals coming on to the market appear to have been laid to rest.

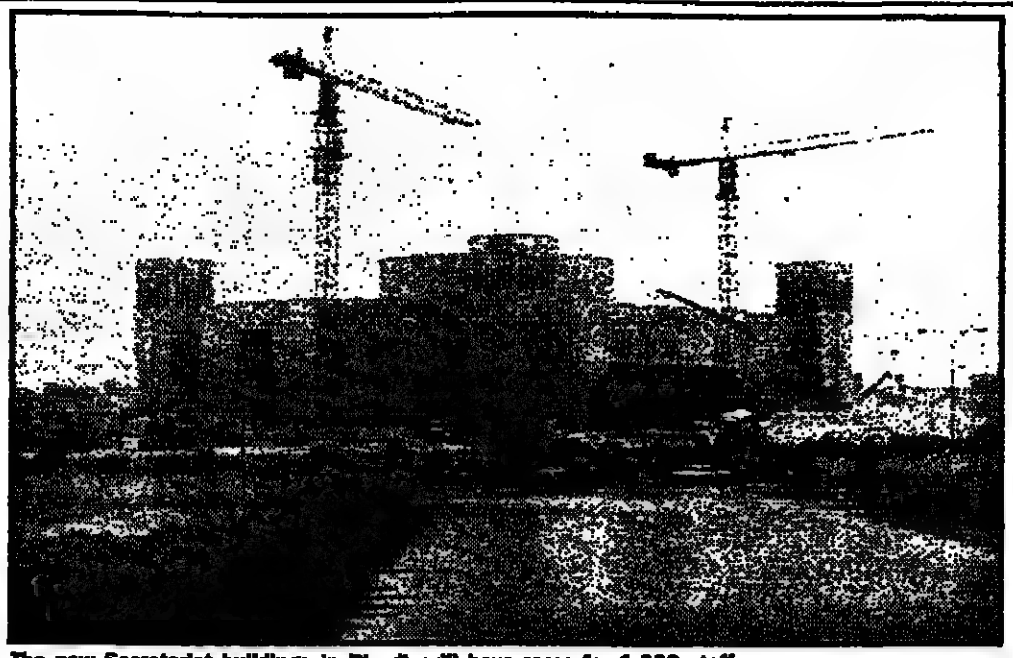
The Saudis are said to have behaved "responsibly" on pricing over the past 18 months; the quantities targeted at Europe have been smaller than expected; and the clamour for further protection has died down.

Perhaps most importantly, the European industry is now in much better shape to compete with Saudi Arabia following the fall in energy prices, which has dramatically reduced the cost of the naphtha it uses as feedstock. There are indications that Sabic, with its higher fixed costs, had its own problems last year.

Nevertheless, there are worries in Europe. The industry wonders whether a "political" deal over petrochemicals will be stitched together above its head.

The diplomats express concern that undue friction will arise during the negotiations over a co-operation agreement.

Andrew Gowers



The new Secretariat buildings in Riyadh will have room for 1,000 staff

GCC Secretariat

New SR240m home

ON A SCORCHED and gravelly plot of land in Riyadh, an army of Filipino workers is working flat out to complete yet another grandiose official complex to add to the Saudi capital's plush new diplomatic quarter. The buildings in question represent a new base for the GCC secretariat, and they must be complete by the autumn in time for the next GCC summit.

The complex—financed with a gift of SR 240m from King Fahd—is tangible evidence of Saudi Arabia's interest in consolidating the GCC under its wing. It also points to an eventual modest desire to build up the central secretariat since it has space for about 1,000 staff.

The secretariat currently boasts only about 250 people. All the real power in the GCC resides in the Supreme Council (consisting of the six heads of state who meet once a year) and the Ministerial Council (comprising foreign ministers), together with other groups of specialised ministers who seem to meet almost constantly at the organisation's rather cramped current headquarters in downtown Riyadh.

Yet despite its small size, the council's bureaucracy manages to make a disproportionate amount of noise. This is in large part thanks to the efforts of Mr Abdullah Bishara, the energetic Kuwaiti secretary-general who has been involved with the council since its inception.

Oxford-educated Mr Bishara, a former Kuwaiti ambassador to the United Nations and adviser to the emirate's Foreign Minister, is an unusual diplomat by the generally subdued standards of the Gulf. A restless man with a slightly arch sense of humour, he delights in projecting a high public profile for the organisation and himself; jetting frequently back and forth between GCC capitals and putting in regular appearances at Western conferences to explain the council's activities.

"Working with him is like helping to run a political campaign," says one associate. "He has an advanced sense of the art of public relations."

By the same token it would not be surprising if he had ruffled a few feathers among the conservative governments of the Gulf, which normally do not encourage flamboyant subordinates. Mr Bishara's second three-year term as secretary-general is up this year, and under the terms of the organisation's founding charter he should now, theoretically, be replaced. All the same, it will undeniably be difficult to find a successor with similar flair and experience. Many observers believe he will be asked to stay on.

Andrew Gowers

Economic integration

Hurdles on the road to unity

THERE IS one goal to which more lip-service has been paid than any other since the establishment of the Gulf Co-operation Council: the economic integration of its membership, or—in more grandoise terms—the creation of a Gulf Common Market.

Soon after the GCC was first set up in 1981, its six heads of state signed a sweeping deal designed to bring down trade barriers between them; standardise regulations; coordinate industrial activities; encourage the free flow of labour and capital; and harmonise fiscal and monetary policies.

On paper, the Unified Economic Agreement looks as ambitious as the Treaty of Rome, which has served as the model for some of the GCC's thinking. In practice, it is proving similarly troublesome to implement.

As Dr Abdullah Ibrahim al-Kuwaiz, the GCC's assistant secretary-general for Economic Affairs, puts it: "The ultimate aim of the agreement is to provide a vehicle for the integration of the economies of the individual six member states into one large, regional economy."

This would, it is argued, help the infant industries of the Gulf states by providing them with a bigger market and encouraging economies of scale.

But in the Gulf, as in the European Community, the important underlying aim is political as much as economic. This was spelled out clearly by King Fahd of Saudi Arabia in an interview with the Kuwaiti newspaper al-Siyasa two months ago.

"The real link between peoples is the link between their economic interests and the relation of these interests to the extent to which these peoples will later decide on the level of political leadership," he said. "The political link is superficial and subject to fluctuations. This is what we wanted our peoples in the GCC member states to avoid."

King Fahd of Saudi Arabia: political links are superficial

In this spirit, GCC member states have agreed and to varying degrees implemented:

● A large number of common standards and regulations in areas ranging from customs to ship registration; and from banking inspections to environmental protection.

● The elimination of customs duties on domestically-produced goods, and imposition of a minimum 4 per cent tariff on imported foreign goods. In addition, goods passing in transit through GCC states are exempt from fees and taxes.

● Equal treatment for GCC citizens as investors, property owners, workers or professionals. Companies from one GCC state can undertake most activities in another without restriction; professionals from other GCC states are subject to the same legal jurisdiction as nationals; citizens can own residential property up to 3,000 square metres in any member state, and can obtain loans and set up retail trading businesses.

● Arrangements for preferential purchasing by Government agencies of locally-produced goods.

In addition, member states have been studying a variety of initiatives to integrate their infrastructures—which despite their rapid development in the last couple of decades are hardly interconnected at all—and to harmonise policies.

The most ambitious infrastructural project under consideration is a $2bn plan to build a power grid linking national electricity systems as far apart as Kuwait and Oman.

There have also been countless ledgers—full of worthy work on links between GCC roads, communications and water supplies, and even a major GCC oil pipeline.

In the field of policy, the most interesting initiative is an agreement to co-ordinate GCC currencies with the aim of working towards a unified exchange rate system in the Gulf (see box).

Far-reaching as some of these moves may sound, agreeing that they are a good thing looks like being the easiest part. In the first place, not all the member states have agreed to put all of them fully into practice.

In the words of the GCC secretary-general, "We haven't achieved either a common external tariff, or a removal of tariffs within the GCC; we have achieved a little of both."

Some of them worry, for example, that the complete abolition of internal customs duties may subject their industries to unfair competition. Independent-minded Oman, in particular, stands out in this context. It has obtained a temporary exemption under which it can continue to levy tariffs on seven locally-manufactured products, including plastics and aluminium goods and cement.

Ministers in Muscat complain long and loud about the alleged dumping of surplus cement from Saudi Arabia and the United Arab Emirates in their market. They argue vehemently that the Sultanate needs special treatment on the grounds that it was the last of the Gulf states to start developing industries, and that it cannot afford to provide generous subsidies for such items as land, electricity and water as its richer neighbours.

Although Oman's exemption is supposed to run out next March, the Muscat Government has made clear that it has no intention of removing tariffs until other states reduce their subsidies—and there seems precious little chance of that happening.

In a sense, this points to a much more fundamental problem for any effort at integration, which is that—unlike, say, the member states of the EC—the six GCC economies do not complement each other in any meaningful way. They are all dependent to a large extent on the export of one commodity, oil, which accounts for between 87 and 98 per cent of exports and up to 87 per cent of Government revenues. They suffer from the same geographical and demographic constraints.

So when they set up factories, they tend to be in roughly the same sectors—basic import-substitution industries in areas like building materials. As a result, the amount of trade between GCC member states is relatively limited, and that which there is can be bittery-contested; intra-regional trade increased only slightly in the years after the establishment of customs union, and in some cases it has even declined. Even capital tends to flow between the Gulf and the West more than between Gulf countries.

No one in the GCC has any illusions about this. Dr Kuwaiz admits: "Liberalisation of trade by itself would not create economic integration similar to, say, the European Community."

Instead, he says, what is required is a new approach: the GCC should set out to build joint industries and institutions, a common framework for development.

And here, the council comes up against the second major difficulty, connected with the economic downturn in the region. For the collapse in oil prices, combined with the continuing costs of the Iran-Iraq war, means that for the moment at least, the GCC states simply cannot afford to proceed with the gargantuan infrastructure projects of yesteryear.

There is also the danger that they will concentrate their relatively stretched resources on national, as opposed to GCC priorities. Most observers expect things like the power grid project to continue gathering dust for a few more years yet.

Dr Kuwaiz quite realistically expects a slowing down of the process of integration in the foreseeable future rather than the reverse. He also, rather more idealistically, argues that what is really needed is more power in the GCC secretariat. "It is imperative that the GCC and its institutions develop themselves to increasingly assume the role of a supranational government," he says.

Andrew Gowers

Trade between the GCC states

(as % of total imports)

	1981	1982	1983	1984	1985	% Change 1983-85
Saudia Arabia	1.36	1.37	1.30	1.30	1.78	23
Kuwait	0.82	0.95	1.42	1.53	1.75	23
UAE	9.80	6.36	6.40	7.58	6.69	5
Oman	24.50	21.60	17.90	18.70	16.60	−6
Qatar	3.95	3.19	2.99	3.35	3.05	2
Bahrain	61.18	49.50	44.40	48.50	51.80	17

Source: IMF Yearbook Direction of Trade Statistics, 1986

GCC countries' Foreign trade 1986

($m)

Imports by Country of Origin

Country of Destination	USA	Japan	West Germany	France	UK
Bahrain	194.5	122.6	120.6	34.5	199.1
Kuwait	656.6	1,235.1	480.5	295.6	456.9
Oman	159.6	294.3	171.0	90.6	607.4
Qatar	62.5	150.1	87.4	78.5	170.4
Saudi Arabia	3,448.8	2,795.5	1,554.5	1,211.9	2,290.8
UAE	493.5	1,041.0	487.3	333.9	884.3
Total GCC	5,015.5	5,638.6	2,910.3	2,044.9	4,608.9

Exports by Country of Destination

Country of Origin	USA	Japan	West Germany	France	UK
Bahrain	86.9	298.5	31.8	18.4	29.9
Kuwait	307.1	1,210.2	173.8	156.6	88.9
Oman	42.5	1,679.3	265.8	9.8	132.5
Qatar	71.0	1,180.5	138.1	176.0	45.0
Saudi Arabia	4,054.3	6,362.8	870.4	2,156.4	662.5
UAE	390.4	6,193.4	44.9	163.7	112.5
Total GCC	4,952.2	16,924.7	1,524.8	2,680.9	1,071.3

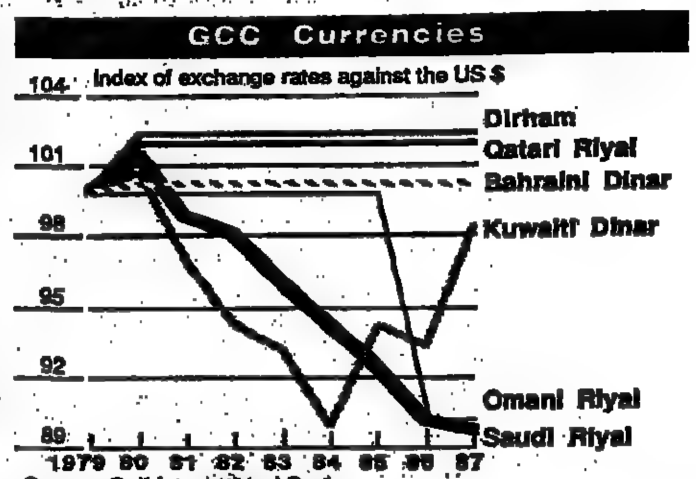
Exchange rates (1986): $1=Yen 168.52; $1=DM 2.171; $1=FF 6.84; $1=£0.657

Exchange rates

Moves towards 'peg'

THE EUROPEAN Community has served as a model for the GCC in more ways than one. This year the six Gulf states have been moving cautiously towards an alignment of their currencies not dissimilar to the European Monetary System.

At the next council summit at the end of this year, heads of state will be asked to approve an agreement in principle among central bank governors to co-ordinate their exchange rates on the basis of a common "peg" against foreign currencies. Many details have still to be sketched in, but the idea is to create an arrangement which will ease trade and capital flows between member states and encourage the region's financial markets.



Source: Gulf International Bank

The GCC's Unified Economic Agreement calls on member states to work eventually towards a currency union, though this is widely considered premature at present.

The effects of the more limited system now under consideration will be modest, at least for the short term. Trade and capital flows between the GCC states are small, and the exchange and interest rates of the individual Gulf countries do not fluctuate widely against each other.

Capital flows may continue to be constrained by the desire of national authorities to keep a tight rein on the internationalisation of their currencies, especially in the case of the Saudi riyal. But apart from the political considerations involved—the wish to provide another example of GCC solidarity—the new plan could help to clear up some anomalies within the region.

The idea of currency co-ordination is not entirely new to the Gulf states. Bahrain, Qatar and the United Arab Emirates used to operate a fixed exchange rate system. And up to the 1960s, a number of the countries shared a common currency in the form of the rupee banknote.

Since the 1970s most of the Gulf currencies have been officially linked to the Special Drawing Right, the International Monetary Fund's currency basket. The exceptions are Kuwait, which pegs its dinar to a trade-weighted basket of currencies representing some 88 per cent of Kuwait's imports, and Oman, which has maintained a link with the dollar.

In practice, however, the fortunes of all of them have been closely associated with the US currency, principally because oil prices are denominated in dollars: it is the conversion of oil revenues into domestic currency and the injection of these funds into the banking system by the central monetary authority which largely generates domestic liquidity. In this sense, as Dr Henry Azzam, economist with Gulf International Bank in Bahrain, points out, "Exchange rates have been, in effect, technical devices rather than truly market-determined relationships."

Nevertheless, the link with the dollar has undoubtedly created problems for the Gulf states since its value against other international currencies began tumbling in 1985. The 40 per cent fall in the dollar has increased the cost of non-dollar imports in the region, especially those from Japan; substantially reduced the value of the GCC countries' foreign assets; and hindered the formation of monetary policy, since the Gulf states have at times had to raise domestic interest rates to stem capital outflows.

The idea now is that the GCC would select a common external peg—either the dollar, the SDR, or a trade-weighted basket of currencies—and agree, as in the EMS, bands within which the exchange rates would be allowed to fluctuate. The member countries' monetary authorities would deposit equal sums in a joint fund to be used for intervention in defence of the agreed parities.

Dr Azzam believes that the dollar can be ruled out as a peg because of its recent disruptive effects. He would favour a currency basket reflecting recent trade patterns, with the dollar given a 60 per cent weighting, the yen 13 per cent and the major EC currencies the remaining 27 per cent.

The eventual composition of the basket may never be published, since the GCC states will want to discourage speculation. But moving away from a relatively fixed dollar link—allowing the GCC currencies greater freedom to float in relation to US currency—could help to discourage capital outflows by introducing an element of exchange rate risk for people investing outside the Gulf.

The important point underlined by all commentators, though, is that such an agreement can only work towards a genuine unification of exchange rates if it is supported by a greater co-ordination of policies on money supply and credit.

Andrew Gowers

Gulf Investment Corporation

Need to nurture infant projects

THE GULF INVESTMENT Corporation was the first institution to be established by the GCC, in 1982. It began operations in 1985, in Kuwait, and now has a paid up capital of $540m. Its total assets at the end of last year were $1.3bn.

Originally, there were virtually no limits placed in GIC's brief, within the region or outside it. But in the last two years of recession the Corporation itself has decided that it ought to concentrate on investment in the Gulf, in order to breathe some life into the stagnant economy.

Since it began operations, GIC has looked at some 80 projects and is now concentrating on about 30. Out of these, there are nine projects to which its directors feel committed, barring any serious and unexpected adverse developments in the final stages of feasibility studies. The projects are:

● **Kuwait Pharmaceutical Company**—the only GIC project that is complete and due soon to begin production. GIC has a 20 per cent holding.

● **Three Peace Shield Offset projects**—linked to the American-built Saudi early-warning system. In all of these projects GIC has 10 per cent; American companies 50 per cent; and Saudia and the National Industrialisation Company 40 per cent. The projects are the **Aircraft Modification Centre**, involving Boeing, the **Aeroengine Overhaul Facility**, involving General Electric, and an **aircraft electronics facility**, involving ITT. The first two of these projects are expected to cost $130m and $150m respectively.

● **Titanium Dioxide plant**—a $140m project at Yanbu in Saudi Arabia for the prodction of 45,000 tons a year of pigment for paint, plastics and textiles. Of the plant's output 60 per cent is to be exported. GIC's partners include Kerr McGee of the US and Xenel Industries, the Zamil group and Shaerco of Saudi Arabia.

● **GARMCO Foil Mill Extension**—a project promoted by the Gulf Organisation for Industrial Consulting (GOIC). The foil mill will be the third aluminium project in Bahrain, associated with the rolling mill (GARMCO) and the smelter (ALBA).

● **Qatar Dairy Project**—a $16m scheme for the production of 5,000 tonnes a year of milk and small amount of meat. Partners include the Qatar government and the Arab Company for Livestock Investment and Development.

● **Pureline Chicken Breeding**—a $16m bio-engineering project which will develop strains of chickens suited to different purposes, such as egg-laying, roasting and boiling. GIC is committed to the project in principle, though it has not yet been completely worked out. The plant will be at Hail, in northern Saudi Arabia, and GIC's partners will be Saudi private investors.

● **Drawn Steel Wire plant**—to be known as ASLAK. The $30m factory is to be built at Jubail and will use steel produced by the direct reduction process smelter, Hadeed. It will manufacture write for fencing and similar purposes and wire products, such as nails. Eisenbau Essen of Germany is to be responsible for design and project management and LETAB of Sweden will supply technical knowhow.

GIC and institutions with which it has been working, including GOIC and the National Industrialisation Company, have not found it easy to think of sophisticated projects that will be economic in the Arabian Peninsula.

So far most plants that have been built in the region have produced building materials and simple consumer products. More complicated items are difficult to manufacture because they require more skilled labour forces and have to be of the highest quality. Because their countries have been open to virtually tariff-free imports from all over the world, while they themselves have had plenty of money, Arabian consumers have acquired much more discerning tastes than consumers in other developing countries.

Fortunately these problems are becoming less serious. Dr Khaled al Fayez, the chief executive of GIC, who set up the Saudi Industrial Development Fund in the mid-1970s says that he is more optimistic about industrial projects than he was four or five years ago.

The cost of building an industrial plant in the Arabian Peninsula, which was once as much as 50 per cent higher than it would have been in Europe or America, has now fallen to close to international levels. Operating costs are also lower. In both cases a major cause has been the fall in the price of land and rented accommodation.

There are more local support facilities for industries than there were a few years ago, the market has grown (the combined population of the GCC countries is about 14m) and the attitude of Arab nationals towards technical and clerical jobs is changing. Employment of this type, among all except the Bahrainis, used to be considered an anathema.

There is also a change in governments' attitudes towards tariffs, which used to be considered undesirable because they were inflationary and worked against the interests of traders and consumers. Now it is recognised that if Gulf industries are to develop, some of the infant projects need to have tariff protection in the early stages. This needs to apply even in areas where the region has a natural advantage, such as to oil or gas-related industries. What is important, Dr Al Fayez says, is that the infants to be protected are chosen carefully: they must be industries which have real potential for growth in the Arabian economies.

Michael Field

Government spending has been cut back to match the big fall in oil revenues, as **Michael Field** reports

Recession having a strong influence on budgets

THERE IS NO starker way of seeing how recession has hit the countries of the GCC than to consider falling oil revenue figures themselves—the cause of the states' problems. In 1981, a record year, the six countries received $156bn. By 1985 the steady fall in production had reduced this to $51bn. In 1986, when prices collapsed, revenues reached $38bn, and this year, now that Opec has re-established a regime of production quotas and a fixed price of $18 a barrel, they are expected to recover to $44bn. If oil prices continue their present firm trend they may be near $50bn.

The governments have been protected from the full shock of the fall in oil revenues by the fact that they have some income from investments—Kuwait now earns more from its investments than it does from oil and gas. Also they can cut their expenditure relatively easily by postponing new projects. But even if a 70 per cent fall in oil revenues for an Arabian Peninsula government is not quite as disastrous as a similar fall in tax revenues would be for the government of an industrialised country, it is still an extremely unpleasant experience.

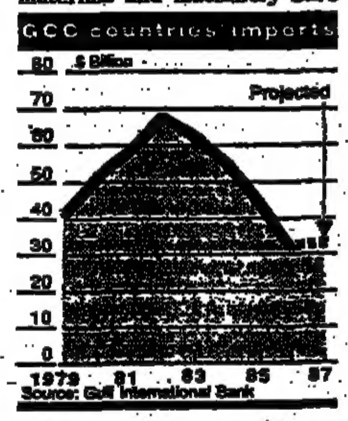
Kuwait now earns more from its investments than it does from its oil and gas

At the worst moment, when oil prices collapsed suddenly in January and February last year, new projects were stopped altogether and Saudi Arabia and Qatar decided not to publish budgets for the year. The Federal budget of the United Arab Emirates, which traditionally has been susceptible to disputes over members' contributions, was not announced until October, when the UAE financial year, which runs on the Gregorian year, was almost over.

All of the GCC economies are dependent on government spending—the most powerful motor of economic activity in the past 15 years has been construction contracts—and any decline in the numbers of projects under way quickly feeds through to all sectors of the economy. Since 1983 about 2m expatriate workers, mostly construction labourers, have left the region. (In the early 1980s the foreign population of GCC countries was about 6m.) This has led to rents falling by anything between 40 and 80 per cent; real estate markets last year were dead.

Demand for imports of all types has slumped. Trading companies dealing with construction equipment, building materials and machinery have

GCC countries imports



Source: Gulf International Bank

seen their turnovers fall by as much as 80 per cent since 1983. Those selling cars and consumer electronics have seen falls of around 50 per cent. Some of the less well-managed private companies, particularly in contracting, retailing and transport, have quietly gone out of business. There have been a few well-publicised bankruptcies and about 15 famous or quite well-known names have had to reschedule bank loans.

In theory there is a very important long term benefit in the recession in that it is greatly reducing investment and industrial operating costs and changing the attitudes to work of young Arabian citizens. This ought to make local manufacturing and service industries more competitive with imports—a prerequisite for the GCC countries' achievement of their aim of becoming diversified industral economies.

But while government spending remains depressed there are no strong markets for new manufactured products and business at present lacks confidence in the local economies, so the benefits of the recession remain mostly in the minds of economists.

Governments have tried as much as possible to see that the worst effects of recession have been felt by sections of the population that are either completely loyal—as the business community is assumed to be—or are politically unimportant—as are immigrants. It is the business community that is most directly and most severely hit by the drop in project business. Although it is impossible to obtain precise figures, it seems that the value of contract awards in GCC countries has dropped by nearly 90 per cent since 1982.

Apart from projects, the main government economies have been in the special allowances and overtime payments they award to state employees. Allowances given to expatriates have been particularly severely pruned and as many foreign employees as possible have been dismissed. Given that there is now a threat of unemployment—which is a novelty for all GCC countries except Bahrain—there is great emphasis on the employment of the countries' own citizens in clerical and managerial jobs.

There have also been attempts to make state agencies economise by freezing the overall numbers of their employees and getting them to renegotiate their remaining foreign employees' rents.

What the governments have not done has been to reduce their military expenditure. This has recently been a growth area in all GCC economies.

Nor have governments reduced the subsidies they pay on their citizens' consumption of electricity, water, gasoline and basic foodstuffs. The first three of these items are supplied to the people at a fraction of their true cost. Nor has there been any reduction in welfare benefits or any attempt to make people contribute to their cost. Taxes, apart from a few tariffs on imports, remain out of the question.

The subsidies that governments pay to industrialists through cheap loans and, in Saudi Arabia, to agricultural entrepreneurs through a range of grants, loans and support prices, have been reduced by a combination of lack of demand and state agencies delaying the approval of projects submitted to them.

Since Opec last December agreed a new regime of production quotas and fixed prices there has been a significant improvement in confidence in the GCC economies. Saudi Arabia and Qatar have both published budgets this year—though in the UAE once again it is understood that the federal budget will not be published until October. Saudi Arabia seems to have reduced its budget deficit by about 30 per cent during the last three years (though precise figures are difficult to find). In all countries a few new projects are being started: current, new and planned projects in the Gulf states are listed on page 6.

In Kuwait, although the budget deficit has been expanding—before investment income—the Government is increasing its spending in a major effort to stimulate an economy which had been damaged not only by the fall in demand for oil but also by the crash of the state's unofficial stock market in 1982 and by the curtailment of re-export markets caused by the Gulf war. By last year the Kuwaiti economy probably was more stagnant than any other economy in the GCC and its citizens more pessimistic than other GCC citizens.

Partly because it wants to prove that it can be more effective when not burdened by the National Assembly, which the Ruler dissolved last summer, the Kuwaiti Government since last autumn has pumped money into land (by making overdue payments for compulsory purchases), the stock market and the contracting industry. The Government is being given credit for its efforts, but the improvement in confidence they would normally cause is being partly offset by the deterioration of the political situation in the state.

Michael Field

UNITED ARAB EMIRATES—FEDERAL BUDGET

Gregorian budget year
Figures in $m. Conversion rate: $1 =3.67 UAE dirhams, May 1987.

	1984 Actuals	1985 Actuals	1986 Actuals	1987
REVENUES				
In theory half of Abu Dhabi's and Dubai's oil incomes	4,016	3,534	3,496	Announcement of budget postponed, possibly until October. Ministries spending each month a twelfth of what they spent last year. The same system operated in 1986
EXPENDITURE	5,188	4,523	3,820	
of which Defence		1,866	1,586	
Deficit	1,172	989	322	

Note: (1) In theory the Federal budget is made up of half the oil revenues of Abu Dhabi and Dubai and it covers the UAE's expenditure on defence, foreign affairs, communications, information, health, education and various other "federalised" parts of government. In practice Abu Dhabi and Dubai run their own affairs in most of these areas and deduct the appropriate sums from what they actually hand over to the Federal Finance Ministry. The figures in the chart refer to the full figures, before these deductions are made.

(2) The Federal Government has no income of its own and therefore cannot run a deficit over a long period—it cannot borrow long term and it has no resources on which to draw. (The official foreign assets of the UAE belong to the Abu Dhabi and Dubai governments—Abu Dhabi's reserves are thought to be about $20bn.) Each year's Federal deficit has been made up by Abu Dhabi in the following year, which has meant that recently Abu Dhabi has been putting more than half of its oil revenues into the Federal budget. It is this that accounts for Federal revenues in 1986 being nearly the same as in 1985, in spite of the fall in the oil price.

(3) Since 1984 Federal budgets have been announced late. In 1986 the year's budget was not announced until October, and the same is expected to happen this year.

KUWAIT

Budget year: July-June
Figures in $m. Conversion rate: KD1=$3.67. May 1987

	1984-85 Actuals	1985-86 Actuals	1986-87 Estimates	1987-88 Budget
REVENUES				
Oil and gas	9,153	10,283	5,156	6,336
Other—mostly proceeds from government services Investment income excluded	920	1,152	826	929
Total	10,073	11,435	5,982	7,264
EXPENDITURE				
Current, inc defence	8,904	9,496	7,583	8,837
Project, inc land purchases	2,859	3,097	2,686	2,753
Capital allocation to Kuwait Fund for Arab Economic Development	110	110	—	—
Capital allocation to Fund for Future Generations	1,007	1,144	598	726
Total spending & capital allocations	12,880	13,847	10,867	12,316
Deficit, financed by drawing on General Reserve	2,807	2,412	4,885	5,052

Note: By law Kuwait allocates 10 per cent of its total revenues to the Fund for the Future Generations, which may not be touched for 25 years. This Fund is thought to contain about $60bn of good quality assets. A further $35bn odd of much less attractive assets is in the General Reserve. Deficits are financed by drawing on the income and capital of the General Reserve.

OMAN

Gregorian budget year
Figures in $m. Conversion rate: 1 Oman riyal=$2.60, May 1987.

	1984 Actuals	1985 Actuals	1986 Estimates	1987 Budget
REVENUES				
Oil			2,410	2,811
Other—mostly customs, domestic taxes and income from government services			614	660
Total	4,092	4,689	3,024	3,471
EXPENDITURE				
Current			1,655	1,801
Defence			1,698	1,355
Projects			1,327	1,030
Total	5,096	5,743	4,680	4,186
Deficit	1,004	1,054	1,656	715

Note: Oman's budget deficits are financed by drawing on reserves, which in 1987 will provide half the sum needed, and by international aid grants and loans.

BAHRAIN

Gregorian budget year
Figures in $m. Conversion rate 1 Bahraini dinar=$2.65, May 1987

	1984 Actuals	1985 Actuals	1986 Actuals	1987 Budget
REVENUES				
Oil and gas	941	994	655	917
Other—mainly customs, aid receipts, social security contributions and revenues of state agencies	514	419	584	567
Total	1,455	1,412	1,239	1,484
EXPENDITURE				
Current	872	912	919	965
Projects	557	437	372	490
Total	1,428	1,349	1,291	1,455
Surplus/deficit	+27	+63	−52	+29

QATAR

Budget year: from 1st Rajab, equivalent in 1987 to March 1.
Figures in $m. Conversion rate: $1=3.64 Qatar riyals. May 1987

	1984-85 Actuals	1985-86	1986-87	1987-88 Budget
REVENUES				
Oil and gas		Budget stopped in mid-year, no figures released	No budget	1,374
Investment income				330
Taxes and customs etc				151
Total	3,289			1,853
EXPENDITURE				
Current, inc defence	3,214	Budget stopped in mid-year	Spending not published. Run on basis of each agency spending 15 per cent less than it spent in previous year	2,597
Projects	1,443			759
Total spending	4,657			3,356
Deficit	1,368			1,503

Note: (1) The Government is hoping that its actual deficit in 1987-88 will be less than estimated in the budget. (2) Qatar has run budget deficits since 1983-84 (when it had a deficit of $1,470m). Since 1985 the drawings it has made on its reserves have been largely offset by capital gains. Its reserves, managed by the Qatar Investment Board, an arm of the Finance Ministry, are thought to be about $8bn.

SAUDI ARABIA

Budget ran from 1st Rajab, equivalent in 1985 to 22 March, up to and including the 1985-86 budget. The 1987 budget is on the basis of the Gregorian calendar year.
Figures in $m. Conversion rate: $1=SR 3.75, May 1987.

	1984-85 Estimates	1985-86 Estimates	1986 March-Dec	1987 Budget
REVENUES				
Oil	30,000	19,500	No budget	17,500
Investment income, excluding capital gains	10,000	8,500		9,500
Domestic revenues	7,000	6,000		4,000
Drawings on Aramco and Petromin cash	nil	4,000		4,000
Total	47,000	38,000		35,000
EXPENDITURE				
Defence	na	na	Ministries received month by month a twelfth of what they had received each month in 1985-86	16,300
Current & project	na	na		28,700
Total	67,000	46,600		45,000
Deficit, financed by drawings on principal and capital gains of reserves	20,000	8,600		10,000

Note: (1) Saudi Arabia releases very little information on its budgets. It gives no breakdown of sources of revenue and the budget actuals it gives for past years are thought to involve a degree of creative accounting. The figures given in the table for both revenue breakdowns and actual expenditure are unofficial estimates.

(2) Aramco retains $2 a barrel as a nominal oil production fee and Petromin retains its income from gas and refined product sales. Both agencies have accumulated large cash surpluses which since 1985 have been drawn on by the Finance Ministry.

(3) Saudi Arabia's reserves, held by the Saudi Arabian Monetary Agency, are thought to be some $85bn. Since 1985 drawings have been matched by capital gains.

Building work in Qatar. The GCC states are cutting budgets by postponing some projects

The anticipated banking crisis is now being faced—and resolved, finds **Michael Field**

No wrecks, though a few drowned

TWO YEARS AGO it seemed possible that the Gulf was heading for a banking disaster. It was well known that the banks had much bad debt, but few were making proper provision to deal with it and in Saudi Arabia the Government was not even talking about the issue.

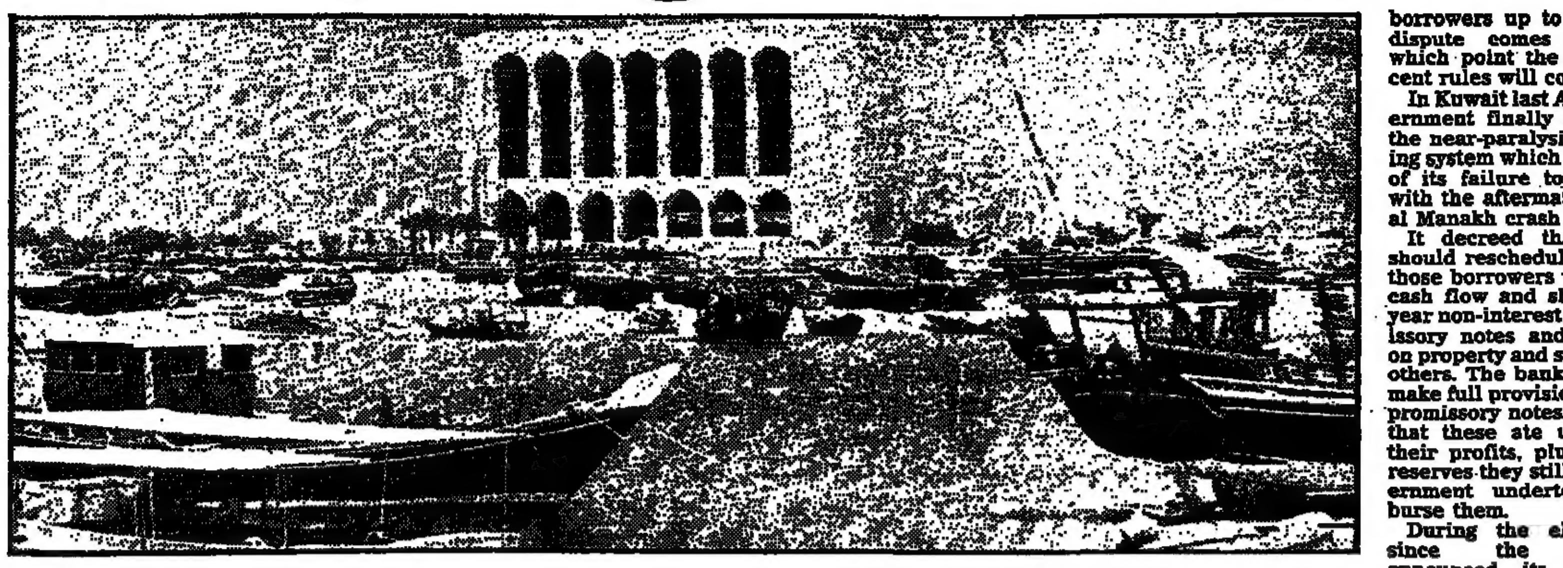
How bad the problems would turn out to be when all parties eventually confronted them was a matter for speculation. There were sober finance directors who were suggesting that the banks were facing three or four years without profits and a possible loss of public confidence.

Now the crisis has come and has been faced. The situation has turned out to be not quite as bad as was feared and is being resolved.

No banks have collapsed, though in Dubai and Abu Dhabi, where the problems came first, six banks were merged in 1984 and 1985 and several other banks have been recapitalised. Only one foreign bank has left the UAE and fewer than a dozen have left Bahrain, though many of the foreign banks on the island, where costs are higher and regulations more restrictive than in Dubai, have reduced staff or closed their dealing rooms.

Likewise, relatively few major trading and contracting firms have found themselves in serious difficulties or gone bankrupt. In Saudi Arabia four or five fairly well-known names have collapsed and about another dozen have had to reschedule debt. The banks are encouraged by the fact that all—bar one or two of the names with which they are holding discussions on rescheduling at present—were known to be in difficulties before the beginning of 1986. In other words, it seems that if clients have survived the recession so far they are going to continue to survive.

The main problem for the Saudi and Bahraini banks has been the hundreds of little Saudi firms that have quietly ceased trading and have tried to avoid repaying their borrowings, taking advantage of Islamic law, which states that interest is illegal.



Central Bank, Abu Dhabi. A task force is studying the vexed question of compound interest

Yet even if there has been no disaster, banks in the GCC countries still find themselves in the doldrums. In Bahrain they lack an obvious major role, or, at least, they can no longer rely on the staples of trade and contract finance and syndicated sovereign risk lending, as they did in the late 1970s and early 1980s.

At the same time, the evolution of the banking system globally has worked against the development of medium-sized international centres; there is no longer any talk of Bahrain being the Middle Eastern link between the Far East and Europe.

In Saudi Arabia and Abu Dhabi—and in Bahrain as far as Saudi clients are concerned—banks are reluctant to lend because of the ambiguity of the laws on interest. They have found that the most unreliable clients have been the most powerful ones—members of the ruling families and people connected with them.

The overall picture of bank activity in the Gulf at present is of reschedulings being slowly completed and banks searching for new small niches for themselves, in such areas as private client business, mutual funds and corporate advisory work.

In the last nine months or so the governments have started to help them by trying to improve the legal and regulatory environments.

In Saudi Arabia, the finance minister announced in March that banking disputes in future were to be referred to a Saudi Arabian Monetary Agency (central bank) committee rather than to the Shariah (Islamic) courts. Presumably the Government intends that the committee will support loan agreements which stipulate that customers should pay their banks interest.

So far, little seems to have been done to establish the committee. Even when it does begin operations it is possible that the Shariah judges, whose decisions are based on the Quran—the word of God as taken down by the Prophet Mohammad, which is also the Kingdom's constitution—will feel entitled to overrule it.

At the same time as the decision to create the committee was announced, the Government declared that public notaries could in future register mortgages in favour of the banks, a practice which they had stopped in 1981. Nothing was said about the mortgages relating to interest bearing loans, but it is assumed that it is the Government's intention to cover these, as long as there are no overt references to interest in the mortgage documents.

Other recent Saudi innovations have been the abolition of withholding tax on interest payments to foreign banks—a move designed to encourage Bahraini banks to lend to the Kingdom—and the institution by Sama of a "P list" which contains the names of banks' customers who are seriously in arrears with their payments. The list is circulated among all the Saudi banks and is periodically leaked to the banks in Bahrain.

In Abu Dhabi, the problems over interest have related specifically to compound interest; the basic question of whether interest was legal or not was settled in 1981 when the Federal Supreme court decided that it would support banks in charging 12 per cent to corporate clients and 9 per cent to individuals. Since then there have been conflicting judgments on the legality of compound interest, which have prompted several borrowers to suspend payments and a few firms to sue their banks for the repayment of compound interest dating back to 1974 and 1968. The authorities however are beginning to respond to the barrage of banks' complaints.

A task force, composed of representatives of the Emirates Bankers Association, the Ministry of Justice, and the Central Bank, is studying the issue. Both Ahmed al Tayer, the Governor of the Central Bank, and Shaikh Surour bin Sultan al Daheri, the Chairman of the Abu Dhabi Commercial Bank, have said that a decision is coming soon.

It is understood that the new regulations will make legal whatever interest arrangements are entered into by lenders and borrowers up to the time any dispute comes to court—at which point the 12 and 9 per cent rules will come into force.

In Kuwait last August the Government finally acted to cure the near-paralysis of the banking system which had grown out of its failure to deal quickly with the aftermath of the Souk al Manakh crash in 1982.

It decreed that the banks should reschedule the debts of those borrowers who had some cash flow and should take 10-year non-interest bearing promissory notes and/or mortgages on property and shares from the others. The banks were told to make full provisions against the promissory notes. If they found that these ate up more than their profits, plus any hidden reserves they still had, the Government undertook to reimburse them.

During the eleven months since the Government announced its solution the banks and their customers have made slow progress in reaching settlements. The Central Bank said recently that 75 per cent of debtor accounts are now settled. A more likely figure is 60 per cent, but the important point is that the pace of settlements has recently been accelerating. This follows a period in which debtors waited to see whether they would be offered a still more generous settlement by the government.

To improve the value of the property the banks hold as collateral, and so reduce the amounts it will have to pay to them, the Government has been bringing up to date its payment for land purchases.

When the settlement programme was announced it also made some major purchases of shares. Since then it has tried to stimulate the market by allowing companies to buy up to 10 per cent of their own stock and by announcing a shares split, which means each share of every public company has been divided into 10.

The Government's intervention has virtually doubled the price of shares on the Kuwaiti stock exchange in the last eleven months and has pushed up land prices by about a quarter.

In mid-March the Central Bank instituted a cut in interest rates from 10 per cent to 7½ per cent for personal and trading loans and to 6 per cent for industrial and construction loans. Its aim was not so much to stimulate demand for credit—which in Kuwait is not very sensitive to interest rate changes—as to relieve the pressure on financially healthy bank borrowers who were not involved in the settlement programme.

Most recently, since the beginning of May, it has reopened the Kuwaiti Dinar market to foreign borrowers. Since late 1982, when the Government was preoccupied with the Souk al Manakh crisis and was worrying about an outflow of capital at a time when the dollar was strong and KD interest rates were low, the market had been closed.

Since the reopening there have been two bond issues, one on behalf of the republic of Finland for KD 20m ($73m) and the other for the World Bank for KD 30m. Both issues will be listed on the Kuwait stock exchange.

Michael Field

External balances of the GCC countries

($m)	1984	1985	1986*	1987*
SAUDI ARABIA				
Exports	37,451	27,917	20,937	24,296
Imports	−28,557	−20,364	−16,087	−16,720
Trade Balance	8,894	7,554	4,850	7,566
Services & Transfers	−27,939	−20,519	−18,500	−18,000
Current Account	−19,045	−12,965	−13,650	−10,434
KUWAIT				
Exports	12,237	10,992	7,694	8,233
Imports	−6,705	−5,519	−4,526	−4,616
Trade Balance	5,532	5,473	3,168	3,617
Services & Transfers	757	143	250	200
Current Account	6,289	5,616	3,418	3,817
UAE				
Exports	15,990	14,764	10,335	10,955
Imports	−6,946	−6,402	−5,825	−5,942
Trade Balance	9,044	8,362	4,510	5,013
Services & Transfers	−1,580	−1,280	−1,150	−1,050
Current Account	7,464	7,082	3,360	3,963
QATAR				
Exports	3,364	3,100	1,650	2,128
Imports	−1,162	−1,152	−1,037	−1,100
Trade Balance	2,202	1,948	613	1,028
Services & Transfers	−1,372	−1,535	−1,250	−1,050
Current Account	830	413	−637	−22
OMAN				
Exports	4,421	4,971	2,983	3,995
Imports	−2,640	−3,083	−2,775	−2,969
Trade Balance	1,781	1,888	208	1,026
Services & Transfers	−1,463	−1,665	−1,332	−1,200
Current Account	318	223	−1,124	−174
BAHRAIN				
Exports	3,083	2,781	1,947	2,512
Imports	−3,072	−2,796	−2,237	−2,371
Trade Balance	11	−15	−290	141
Services & Transfers	36	211	150	100
Current Account	47	196	−140	241
Total GCC Current Account	−4,097	565	−8,773	−2,809

* Projections

Sources:
For Saudi Arabia, Kuwait, Oman and Bahrain, IMF International Financial Statistics, December, 1986
UAE, Central Bank Report, 1985
Qatar Monetary Agency Ninth Annual Report, 1985

Projects in the pipeline

Kuwait

Extension of Amiri Diwan: a new building to house offices now in the Seif Palace. Designed by Archicentre, a Kuwaiti firm with a London office. Project manager not yet chosen, tenders to be announced later this year. Approx $200m.

Telecommunications tower: a vast structure, 370 metres high, which when completed, will be the fourth tallest building in the world. Later stages of project will involve an improvement of the Kuwaiti telephone system, locally and internationally. $85m contract for the structure awarded early 1987 to International Contractors Group, a local firm, in partnership with Société Générale d'Entreprise of France. Work on the tower is expected to take two or three years, during which time tenders will be announced for the electronics part of the project.

Oil industries' headquarters: new offices for all companies associated with the Kuwaiti oil and petrochemicals industries, is to be built in Shuwaikh. Contract is expected to be awarded to consultants in July. Cost of whole project, approx $65m.

Renovation of sewerage system: major project involving 200km of pipes. Contract for first phase—inspection—awarded to Al Hani Trading and the Pittsburg Pipe Cleaner Co. Approx $140M.

Afforestation and urban beautification: a higher committee for the afforestation plan has been established with officials from the municipality and the ministries of Public Works, Agriculture, Electricity and Water, and Planning. A scheme for the utilisation of sewerage waste has gone out to tender, but no contracts have been awarded yet for any part of the project.

Abu Dhabi

Al Ain airport: a new international airport project at a fairly advanced stage. Overseeing consultants: Scott Wilson Kirkpatrick.

University extension: by far the biggest project planned in Abu Dhabi at present. A new campus for the UAE University at Al Ain, with nine faculties for 16,000 students. Five consultants have been asked to bid for the design contract. Approx $1.5bn.

Fairground: being built between two breakwaters off the front of Abu Dhabi town. Construction is moving ahead slowly.

Tawilah naval base: a scheme for a naval base to be built between Abu Dhabi and Dubai. Design competition won by a British firm, project moving very slowly. Approx $1bn.

Oil industry: the main offshore and onshore oil producing companies have capital spending programmes totalling about $400m for 1987.

Dubai

Jebel Ali "E" power station: project well advanced, to produce 227 MW and 24m gallons a day of desalinated water. Mainly Japanese contractors, John Brown turbines. Approx $140m.

Sewerage treatment works and pipe network: work on main $200m project well advanced, with Korean contractors. The project will lead to a large amount of domestic and commercial connection work which over a ten year period may cost $900m.

Sports projects: a race course and a golf course are under construction and there are plans for a grandstand at the race course and for a combined cricket and hockey stadium.

Beautification projects: there are several schemes for improving further the appearance of Dubai—one involves a park to be built between the two bridges over the creek. The money to be spent on these schemes during the next few years is expected to be some $6—10m.

Repair and maintenance projects: major repair works are already under way on the tunnel under the Dubai creek. Further repair contracts for work on public buildings and office blocks are expected to be put out to tender in the next year or so.

Cultural centre and marina: there are plans for building these facilities on the site which used to be occupied by McDermott's oil platform yard beside the creek. Design of the centre may be the subject of an international competition.

Bahrain

Airport expansion: project at early stages of implementation, with main contractor not yet appointed. Approx $50-70m.

Arabian Gulf University: mainly built, work by Daelim and Habtoor-Leighton should be finished in the next 12 months. Approx $50-70m.

Civic centre: project in Manama under construction by Hyundai. Approx $30-40m.

Grand Mosque: in advanced stage of construction by CCC of Lebanon. Approx $25-30m.

Aluminium Bahrain expansion: Increase in capacity of Alba smelter from 175/180,000 tonnes a year to 195/200,000 tpa. Approx $50m. Work to start early next year.

Banagas expansion: $100m project to process associated gas and extract more liquids from it. To go ahead late this year or early next.

Longer term projects: projects planned for the late 1980s and the first half of the 1990s are: power generation—$300m, transmission lines—$170m, desalination—$140m, roads and a second bridge to Muharraq island—$60m, Mina Sulman port expansion—$90m, treatment of effluent water for agricultural purpose—$30m.

Qatar

North Field gas project: the first stage of what will eventually be a three stage development of the huge North Field off the Qatar peninsula. Contract for engineering and construction management awarded to Bechtel and Technip in May. Later this year and early next about 20 construction contracts will be awarded. Production under this first stage development will be 800m cubic feet a day of dry gas and 50,000 barrels a day of liquids. Cost of first stage about $1bn.

Airport expansion: bidding in progress for new radar facilities ($20m). There are plans for an improvement of existing terminal buildings or the construction of new buildings.

Recarbonisation plant: project to filter out corrosive elements in desalinated water. Results to tenders to be announced soon. Approx $5m.

New Central Post Office: construction by Patel Engineering nearly finished, equipment still to be ordered. $4m total cost.

Upgrading of electricity, water and sewerage networks: during the next few years a series of projects are planned to improve and expand these facilities, mainly by extending them to the more remote parts of the state. Total expenditure is expected to be about $150m.

Reservoirs: five new reservoirs are planned for the West Bay area of Doha—total capacity 6m gallons. Project, costing approx $10m, now being tendered.

Schools: the Ministry of Education is in the process of building 34 new primary and secondary schools, a development expected to cost about $70m with equipment. Local contractors are doing the building, equipment is to be imported.

Saudi Arabia

King Fahd International Airport, Dhahran: the last of the three major international airports being built by the Kingdom's Presidency of Civil Aviation, due to open at the end of 1989. The latest contract for the $1bn facility to be awarded was one worth $177.1m for construction of the terminal. This was won by Jaonnou and Paraskevaides, registered in Guernsey, CI.

Saudi European Petrochemical Co. (Ibn Zahr): construction continues at this 500,000 mtpa capacity methyl tertiary butyl ether plant, being built as a joint venture between Sabic (70 per cent), Neste Oy, of Finland, Enichem of Italy, and Arab Petroleum Investment Corp (Apicorp), (10 per cent each). Snamprogetti is building the plant.

Al-Bisha dam: work has just started on this $63.73m dam, the kingdom's largest. It is designed to retain rainfall and stop flooding. It will also provide irrigation water. The dam project was won by Al-Dakheel Civil Works company. It will back up 325m cubic metres of water in the valley of Bisha. Construction will require 2m cubic metres of high pressure concrete and 1.5m cubic metres of ordinary reinforced concrete. The Ministry of Agriculture and Water is paying.

Sabic future polypropylene plant: this is a projected 200,000-250,000 metric ton per year propropylene plant that will be built by Sabic. Sabic is looking at Yanbu as a site. In particular, it would like to place it on the same site at an existing Sabic company. There is no target date for construction.

Luberef 2: this lubricant base oil refinery will be built by the general organisation for Petroleum and Minerals (Petromin). This plant would have a yearly capacity of 1.5m bbls. Engineering has been done by Chiyoda Petrostar. Construction of this plant was awarded in mid-1985, but the drop in oil revenues caused the $160m plant to be shelved. Petromin wants to get it moving again. The plant will be a 70/30 per cent joint venture between Petromin and Mobil of the US.

Al-Jubail ro plant: the saline water conversion corporation is preparing to put a 30 mgd desalination plant out for bids. The plant will be the world's largest reverse osmosis desalination plant. It will be built with two units of 15 mgd each. It will be located near Jubail 1 and 2 desalination plants.

Al-Khobar phase 3: The Saline Water Conversion Corp is planning a huge 60 mgd unit that will be the third and possibly final phase of Al-Khobar's massive desalination plant. Al-Khobar 1 had 7.5 mgd capacity. Al-Khobar 2 had 51.5 mgd capacity, plus the ability to generate 600 Mw from recovered heat. The new plant probably will not have an electrical power generating section.

Yanbu phase 2: The Saline Water Conversion Corp also intends to put Yanbu phase 2 out for bids within a year or so. This plant will have a capacity of 25 mgd, plus electricity co-generation. A pipeline will be built to carry its water to Medina, as well as the industrial city of Yanbu. The Yanbu phase 1 plant provides 28.5 mgd, and generates 250 Mw of electricity.

Power Line: One of the last of the big power transmission contracts was recently awarded by the Saudi Consolidated Electric Company (Sceco) Central. The total package is worth over $181.3m the bulk of the project went to Middle East Construction Co (Meedco) NEI of Great Britain has won $56.53m of the contract for substations. Al-Bawardy consulting engineers will supervise construction. The 410 kilometre 380 kv powerline includes 3 380 kv substations. The line will cross terrain including rugged wadis and sand dunes. It will form part of the central region's programme of linking into a true power grid.

King Fahd Medical City: Work progresses on King Fahd Medical City, a four-hospital complex costing $533.33m. The city is one of three planned for the kingdom. Another will be built in Dammam, and Jeddah by the Saudi ministry of health. King Fahd Medical City consists of a 526-bed general hospital, a 300-bed children's hospital, a 251-bed maternity hospital, a 300-bed psychiatric hospital, and a 100-bed out patient facility. It also includes residential quarters for 3,000 staff.

Eastern Region Corniche: This $0.55m first phase project is designed to give the eastern province a coastal drive and recreation area similar to Jeddah's beautiful corniche. Within three years the first phase will be completed, which will then be augmented by further phases. It is divided into two main sections, consisting of a 13 kilometre stretch by Al-Khobar, and a 25 kilometre stretch by Dammam. In an obvious bid for regional superlatives, the eastern province will build a fountain that will shoot a jet of water 250 metres high. This will surpass the fountain now in Jeddah. The corniche will have drives, seven kilometres of swimming beaches, a shallow man-made lake, mosques, and car parks. In a related project the municipality is building a marina for 300 boats that may be expanded to contain 1,000 pleasure craft.

Makkah Master Plan: Because the kingdom expects some 3.75m persons to be performing the annual pilgrimage in 2005 compared to the 1.5m doing it this year, Makkah will be the site of greater expansion. The mosque has already been expanded, and the city has had tunnels dug and roads built to ease transportation of pilgrims. Expansion of the city's infrastructure, including roads, water supplies, and other systems will be required under the plan. Authorities are considering installation of a rapid transit system. It also appears that a series of ring roads will be built, and that larger sections of the city will be torn down to build Hajj facilities. Billions have already been spent on the city, and billions more will be spent in the future.

Education

Learning to update teaching

IN ALL THE most obvious ways the GCC countries' drive to educate their citizens and strengthen their resources of manpower during the last 15 years has been a great success.

In Bahrain, which has the longest tradition of education and a population much concerned with self-improvement, literacy is now at 80-85 per cent; 15 years ago it was only 50 per cent. The figures apply to those aged 10-60, which give a much broader and more exacting measurement than the 10-45 age group used in many other developing countries.

In Bahrain and Kuwait education is now compulsory for both boys and girls: they must go to school for nine years or up to the age of 15. Elsewhere, the feeling is that to make education compulsory would be to infringe people's natural liberties. In practice, however, the harmful effects of this in prolonging illiteracy, superstition and general ignorance have been limited, because education—for boys at least—has been regarded by most of the people as progressive and patriotic.

The expansion of the countries' secondary school systems has been paralleled at the university level. In all GCC countries far fewer students are being sent to university abroad than were sent in the later 1970s. This is mainly because there are many more university places available at home, though there has also been a political logic in the change: governments have wanted to avoid having their young people influenced by alien cultures and radical politics.

Kuwait now sends away about 300 students a year, whereas it used to send more than 1,000, most of them to Egypt. Those sent have good grades and are studying subjects like medicine and engineering. The universities they go to are mostly on an approved list of American colleges which the Kuwaiti government regards as having fairly high standards. Few Kuwaitis now go to British universities because they would have to do a two-year 'A' level course. In Kuwait and in many American colleges the university entrance exams equate roughly with Britain's 'O' levels.

A further success in all GCC countries has been the expansion of education for women. In Kuwait, Bahrain and Qatar, girls now make up about half the pupils in school. And in all countries in the region, girls, having less freedom than boys and fewer distractions, are better pupils.

When it comes to working, however, Saudi Arabian women are allowed to work only as nurses, teachers and air stewardesses. Even in Bahrain, where women are encouraged to work, they make up only 18 per cent of the labour force (the figure in Britain and America is around 40 per cent).

Women's education is used to advantage, though, in the home. Traditionally, although children of both sexes are adored and doted on by their parents, little attempt is made to teach them anything before they reach about 12 years.

Now it is noticed that educated mothers encourage their children to read earlier and push them at school later on. They give them better diets, buy books, read to them, and, to some extent, guide them in what they watch on television (though they are not helped by the Arab broadcasting authorities' preference for the blandest and most mindless Western films which are regarded as politically and socially safe.

The results of the educational progress of the last decade or so are seen in the much greater numbers of GCC citizens occupying technical and managerial jobs. In Bahrain, which once again provides the most impressive figures, 65 per cent of the technical staff in the health service are now Bahraini, as are 80 per cent of the teachers and two-thirds of the bank staff.

The great problem in all the GCC countries is one of quality. Ironically, as more and more GCC citizens have moved into technical and managerial positions, government and business have become more aware of their shortcomings and worries about the lack of trained local manpower have increased.

The main cause of the problem has been the stultifying Arab education system, based on learning by rote, which came from Europe to Egypt late in the last century and has remained rigid in the hands of that country's bureaucrats and teachers ever since. In the last 30 years, Egyptians have dominated the teaching profession in the Arabian Peninsula.

Confronted with this situation, the GCC governments are trying to introduce systems which will encourage students to reason for themselves. In the Arabian Gulf University in Bahrain, for example, medical students are early on being introduced to real cases—and are asked to make their own diagnoses. Surprising though it may seem, this type of approach is a novelty in Arab countries.

Only slightly less serious for the GCC countries is that their education systems have not been turning out graduates willing to do all the jobs needed for their economies. There are many technical, professional and manual jobs which Arab society has long regarded as unattractive and which the education system has failed to make seem less so.

There have been certain exceptions to this: driving vehicles and doing jobs associated with electricity are linked in people's minds with modern technology and "progress" and have been quite popular. Labouring work, anything associated with water (which is regarded as having faintly Shia—unorthodox Muslim—overtones) and most jobs that involve serving other people are regarded as shameful.

Among the professions teaching—except in Bahrain—has a rather lowly status, even though in some countries teachers are paid more than those in junior administrative grades in the ministries.

Because they want to reduce their dependence on immigrant labour, Arabian governments are now trying to get their schools to channel more students to technical careers, and at the same time change attitudes towards these types of jobs.

In Kuwait, the Ministry of Education has introduced a credits hours system for some subjects. It hopes the new system will be made more attractive by students finding it easier to get good results. The subjects are: languages, business studies, physical education and sports, Islamic studies, technical studies, mathematics and sciences.

The system is operating in 20 schools so far, and three new schools working with it are being opened each year. There are signs that it works though the system is not particularly popular with Kuwaiti students and parents. They believe, correctly, that the Kuwait University authorities do not take the new system as seriously as the conventional examinations when awarding places.

Government encouragement of technical careers in all GCC countries is being helped by the recession. Young Arabians now seem quite interested in clerical and semi-high technology industrial work; they are keen to be telephone operators and they do not mind being receptionists in hotels. The vocational training centre run by the Juffali company in Jeddah, which used to have to fill some of its places with expatriates, now finds that it has more Saudi applicants than it can take.

Michael Field

Education is regarded by most people as progressive and patriotic

Oil

Joint ventures are rare

THE MAJOR GCC countries—like Saudi Arabia, Kuwait and the UAE—together with Iraq, are different from the other members of the Organisation of Petroleum Exporting Countries (Opec) in that they have particularly large reserves of oil. Oil is cheap to produce and gives them an interest in holding prices at a level which will give them markets for a long time to come.

At present rates of production Saudi Arabia, with proven reserves of some 160bn barrels, has enough oil to last it roughly a century. Kuwait, with 60bn barrels has enough for 170 years, and Abu Dhabi, which with 30bn barrels has more than 90 per cent of the reserves of the UAE, has sufficient for about 110 years. The comparable figure for the United States traditionally has been little more than 10 years.

In recent years Saudi Arabia, Kuwait and Abu Dhabi have seen themselves in Opec as having a definite identity of interest and to some extent are thought of by other members as being the GCC group. It was Kuwait and Saudi Arabia which launched the drive in 1985 to recapture market share for the Organisation—at the expense of price. And recently it is assumed that these two countries have not been too unhappy to see Abu Dhabi and Dubai exceeding their collective quota and so putting some break on the rise in prices above $18 a barrel.

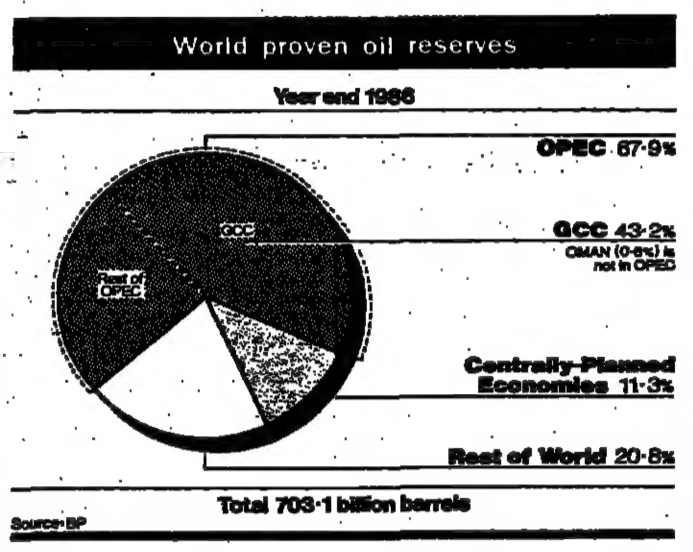
Generally the big three GCC producers have been supported by Qatar, which has a reserves/production ratio of only 30 years or so, but has oil which is cheap to produce and spends its money slowly and cautiously.

For all these similarities in basic attitude towards production and price there has never been any formal GCC alliance in Opec. There have been few joint petroleum ventures—although there is now talk of members building pipelines to export more of their production from Red Sea ports—and there is no joint policy on the development of production capacity or downstream operations.

Each of the GCC producers at present finds itself in a different position as regards its fields development programme, its export refining and product marketing, and the degree of freedom it has in pricing its output within its quota. This last point directly affects its ability to produce its full quota.

Production policies in the major GCC countries at present are given here.

Saudi Arabia is producing about 4m barrels a day (b/d), of which 3.8m b/d is coming from its fields and 0.2m b/d from stocks held overseas. The total compares with a quota for the second half of 1987 of 4.3m b/d. Officially the Kingdom is no longer Opec's "swing producer," the country that absorbs any major fall in demand or meets any sudden surge—that role is supposed now to be played by a group of seven states. Unofficially its swing role remains—in February, when demand for oil was weaker than expected and it seemed that the Opec fixed price and quota pact might be threatened—it allowed its output to fall to only 3.1m b/d.



Saudi Arabia has little flexibility in the pricing of its output. Although it has export refineries producing about 600,000 b/d, which can be sold at market rates, and barters some of its production for arms or major project work, about 80 per cent of its exports are sold as crude at official prices. Whether the Kingdom will develop refining and marketing operations abroad or build more export refineries at home will depend on the long term results of the current reorganisation of its oil industry.

Under its new oil minister, Hisham Nazer, it is considering merging, or altering the divisions between Petromin and Aramco. Petromin is the traditional national oil company charged with distribution at home and selling gas and refined products abroad. Aramco, the former concessionaire, produces and sells crude.

Kuwait this year has been producing closely in accordance with its quota, which for the first six months was 950,000 b/d. (It is now 1m b/d.) It was able to do this in the early part of the year because it refined at home 560,000 b/d (60,000 b/d of it for local consumption) and refined abroad 130,000 b/d, which meant that more than 70 per cent of its production fell outside Opec price restrictions.

Of all the Middle Eastern producers Kuwait has been by far the most ambitious in developing downstream operations. In addition to its refining operations it has about 300,000 b/d of retail outlets in Britain, Denmark, Sweden, Holland, Luxembourg, Belgium and Italy—almost all of them bought from Gulf Oil in two deals, in 1983 and 1984. The exceptions are the British outlets, bought from Hays Petroleum Services and Ultramar last year, and some of the Danish outlets, bought from BP in May this year. All of its petrol stations are being renamed "Q8," which can be pronounced "Kuwait."

The retail operations are supplied partly from Kuwait Petroleum International's two foreign refineries, in Holland and Denmark, and partly from a mixture of the refineries in Kuwait and refineries in Europe which are owned by other companies which swap some of their output for Kuwaiti products near Asian markets. The surplus output of the Kuwaiti refineries is sold to major oil companies, governments and electric power companies.

In principle it is Kuwait's policy to expand its downstream operations. At home it is finishing an expansion and modernisation project on the old Mina Abdullah refinery and it has a small scheme underway to increase the gasoline production capacity of its refinery in Holland.

As far as retailing operations are concerned, at present Kuwait Petroleum International's executives say it is taking a rest, though it is known that it would like to enter the big mainland European markets—especially France—if it could find good opportunities.

Although officially it is the **United Arab Emirates**, rather than just Abu Dhabi, that is a member of Opec, Dubai has never taken any notice of the Organisation or considered itself bound by its decisions. Since demand for oil began to fall in the early 1980s it has made almost no attempt to cut its output to support prices in line with the other Opec members. A rare exception occurred early this year, when the state announced in February that it was to cut its production by 10 per cent. In the absence of any published production figures this was estimated to imply a cut from 380,000 b/d to about 340,000 b/d. It is thought that the cut was made, but the lost production was restored a month later.

Whether Dubai will be able to continue its policy of producing its collection of small fields at their maximum rate for more than another 10 years is open to question.

With Dubai failing to respond to Opec decisions, the burden of reducing the UAE's output to whatever quota it is given by Opec falls on Abu Dhabi. In theory, in the first half of this year the state should have been producing about 550,000 b/d. However, given its irritation at Dubai's lack of co-operation and what it felt was its need for money, it actually ran production at around 760,000 b/d. This made it the major violator of the quota system—leaving aside Iraq, which is officially exempted from complying.

The reason that Abu Dhabi has been able to find markets for more than its quota is that, like Kuwait, it has production which is not subject to Opec price strictures. About 140,000 b/d is exported as product from its refinery at Ruwais and 40 per cent of its overall output is taken by its former concessionaires, which were never wholly nationalised. This oil is paid for on a royalty and tax basis and absorbed into the foreign companies' integrated chains. Abu Dhabi itself has to market only about 310,000 b/d of crude at official prices.

Of all the states—in fact of all Opec states — **Qatar** is the most vulnerable to the disadvantageous effects of a fixed price and quota regime. All of its production, except what is consumed locally, is sold as crude. This means that unless the state wants illicitly to cut prices it has to offer its oil at a price based on the official $18 and keep in the ground any that is unsold. In April this year, when its quota was 285,000 b/d, its potential customers were claiming that the high quality of its crude did not quite justify the differential above $18 a barrel that it was charging.

Although it is not a member of Opec, **Oman** in the last 12 months has been co-ordinating its policies with the Organisation and acting virtually as if it were a member. At the beginning of this year it cut its output by 40,000 b/d to 520,000 b/d and switched from selling at open market rates to signing fixed price contracts—both moves being in support of the new regulated Opec regime. The Sultanate is partly protected from the disadvantages of this policy by the fact that its main concessionaire, Shell, still owns a 34 per cent share of its production, which falls outside the Opec regime.

Michael Field

Gulf Organisation for Industrial Consulting

A turn to the private sector

THE GULF Organisation for Industrial Consulting (Goic) was established in 1976 and is owned by the six GCC states plus Iraq. At its headquarters in Doha there are about 100 staff, of whom nearly half are citizens of the shareholder countries and the rest expatriates, including Westerners.

In its early years, until 1982 or 1983, Goic's main work was helping governments—partly through trying to prevent the duplication of projects, particularly cement and fertiliser plants, and partly through studying opportunities for shared projects. Its most important promotion in the early 1980s was the Gulf Aluminium Rolling Mill Company (Garmco) in Bahrain, which is now taking under its wing a Goic scheme for an aluminium foil plant.

A project for a float glass factory in Iraq has been delayed by the Gulf war, and an acetic plant, which will eventually be built in Qatar, has been postponed because technological developments are making it advantageous to use methanol rather than ethylene as a raw material.

In Saudi Arabia Goic is promoting a fibre glass plant. Some 50 investors are in the process of forming the company that will build it.

During the last three or four years of deepening recession, Goic has turned from identification and promotion work, at which it was never outstandingly successful, to helping existing industries become more competitive. In this role its customers are mainly in the private sector.

Its work involves disseminating information and arranging for the owners/managers of plants in the region to meet each other, so that they can discuss ways of co-operating. Often this leads to joint purchasing: Dubal and Alba, the Gulf's two aluminium smelters, are now saving up to $250,000 per shipment by buying alumina together.

In other cases, companies arrange to swap spare parts or share staff: for example, one quality control man can supervise two or three plants. Typically the companies involved in this type of arrangement are small firms manufacturing simple consumer products, such as detergents.

The most comprehensive co-operation sponsored by Goic to date has been in the cement industry, which has no less than 44 plants in member countries. A committee of plant managers meets annually and there are numerous contacts at specialist levels, where the discussions are on maintenance, spares and joint purchasing of equipment and bags.

Since the downturn in the construction industry there has been a moderate surplus of cement-producing capacity in Goic countries—the region used to be a major importer—and the situation is aggravated by most of the countries (the exception is Iraq) being open markets.

Manufacturers in the region say that foreigners—particularly the Turks, Cypriots and Koreans—are exporting at grossly subsidised prices. The result is that Gulf cement producers are now selling at prices well below those obtaining elsewhere. In Japan the price is about $65 a tonne; in Spain $60; in Korea and Britain between $50 and $60; and in the Gulf $40.

At this level the Gulf plants may not be making profits, but Goic and the industry are happy that at least they are continuing to operate.

Michael Field

Business traveller's guide

Kuwait

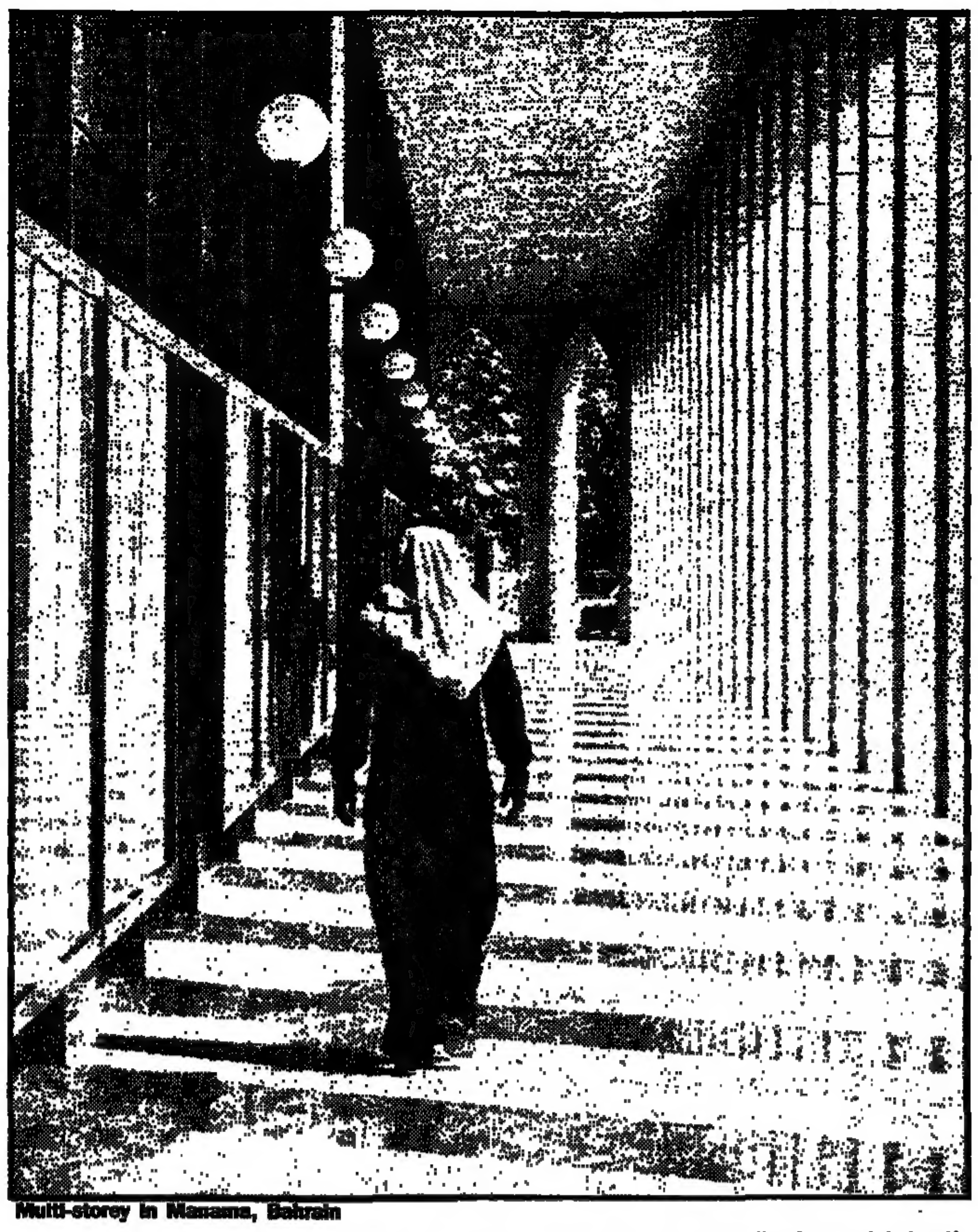
Time: GMT + 3 hrs; EDT + 8 hrs
Climate: Hot, arid summers (May to Oct), with average maximum shade temperatures 38°C and more comfortable winters (Nov to Mar)
Area: 17,818 sq km (including neutral zone).
Population: 1,695,130 (1985).
Capital: Kuwait City.
Official language: Arabic (English often used in business).
Entry requirements
Passport: Required by all (with isolated exceptions).
Visa: Visas or entry permits required for all except nationals of GCC countries; some nationals require an NOC (no objection certificate) issued by the Ministry of the Interior. Most travellers will require sponsorship to obtain a visa, which are not issued at entry points to those arriving without one. In recent years, visa requirements have periodically changed at short notice. Travellers should check with local customs offices on the latest position.
Prohibited entry: Anyone holding an Israeli passport or visa, and anyone with an Israeli customs stamp in his/her passport.
Currency: No restrictions on currency imports or exports.
Customs: Household and personal effects, tobacco and perfume may be imported without restriction; duty may apply on some items; International Car Certificate (Triptyque) required for cars imported for personal use for three months, otherwise guarantor or guarantee required.
Prohibited imports: Alcoholic beverages and any materials used for making them (ie hops, malt extract, wine kits); pornographic literature.
Health precautions
Mandatory: International vaccination certificates for cholera and yellow fever if travelling from infected areas.
Advisable: TAB vaccination.
Public holidays
Fixed date: 25 Feb, National Day.
Variable dates: Lailat al Miraj, Lailat Bara'a, Beginning of Ramadan, Lailat al Qadar, Eid al Fitr, Beginning of Hajj, Eid al Adha, Hijira New Year's Day, Prophet's Birthday.
Working hours: Friday is weekly holiday, when government offices, embassies and banks are closed. Office hours liable to change during month of Ramadan.
Business: 0830-1230, 1630-2000.
Government: Winter, Sat-Wed 0730-1330, Thu 0730-1130; summer, Sat-Wed 0700-1300.

Oman

Time: GMT + 4 hrs; EDT + 9 hrs.
Climate: Interior region largely hot and dry, except at high altitudes in north east. Coast area has high temperatures (47°C) and high humidity (85-90%) in summer and moderate winters (16-32°C).
Area: 320,000 sq km (including Kuria Muria islands).
Population: 1.2m (1986).
Capital: Muscat.
Official language: Arabic (English often used in business).
Currency: Omani Riyal (RO)=1,000 baiza.
Entry requirements
Passport: Required by all.
Visa: Not required by nationals of United Arab Emirates and Qatar. Impossible to enter Oman without prior arrangement for admission. Business travellers require a no objection certificate (NOC), for which an application must be filed in Oman by a local sponsor. Bona fide first-time business visitors should apply through consulates or representatives abroad (letter from company explaining purpose of visit and letter of support from home Chamber of Commerce must accompany application). If entering Oman by road from the United Arab Emirates, a road permit must also be obtained in advance. Visitors should ensure that their passport has at least one clean right-hand page.
Prohibited entry: Holders of Israeli passports, passports in any way indicating travel to or from Israel and passports with Libyan visas are not allowed entry.
Currency: There are no currency control regulations, though capital transfers abroad exceeding RO 20,000 require approval.
Customs: Personal effects, most goods from GCC countries and imports for Petroleum Development Oman (PDO) or the government are duty-free. Goods of Israeli origin and imports from Israel, South Africa or companies boycotted by the Arab League are prohibited.
Health precautions:
Mandatory: Vaccination certificates against cholera and yellow fever if travelling from infected areas.
Advisable: TAB vaccination and anti-malaria precautions.
Public holidays
Fixed dates: 18 Nov, National Day; 19 Nov, Official Birthday of HM Sultan Qaboos bin Said.
Variable dates: Lailat al Miraj, Eid al Fitr, Eid al Adha, Hijra New Year's Day, Prophet's Birthday.
Working hours: Hours liable to vary during month of Ramadan.
Business: (Sat-Wed) 0830-1300, 1600-1800; (Thu) 0800-1300.
Government: (Sat-Wed) 0730-1400; (Thu) 0730-1300.
Banking: (Sat-Wed) 0800-1200; (Thu) 0800-1300.

Qatar

Time: GMT+3 hrs; EDT+8 hrs.
Climate: Desert climate with extremely hot and humid summers. Mild winters with occasional rainfall.
Area: 11,437 sq km
Pop: 257,000 (1985)
Capital: Doha



Multi-storey in Manama, Bahrain

Official language: Arabic (English also used in business)
Currency: Qatari Riyal (QR)=100 dirhams
Entry requirements
Passport: Required by all except certain seamen. *Visa:* Not required by nationals of some Arab countries and the UK for stays of up to 30 days. Others must obtain visas from Qatar representative overseas before arrival, if staying for more than 72 hours. In some cases a " No Objection Certificate " (NOC) applies instead of a visa; check well before departure.
Prohibited entry: Nationals of Israel and South Africa are prohibited entry, as are holders of passports with evidence of travel in these countries.
Currency: There are no exchange restrictions.
Customs: Personal effects are duty-free. Import of pork and pork products, goods from Israel or South Africa, cultured pearls, and obscene or seditious literature is forbidden. The Israeli boycott is firmly enforced. Foodstuffs must be labelled in Arabic.
Health precautions
Mandatory: Vaccination certificates against yellow fever and cholera if travelling from infected areas.
Advisable: TAB vaccination.
Car hire: It is necessary to obtain a 90-day local licence—international or foreign licences are not acceptable. For this, a foreign or international licence, a letter from a local sponsor and passport must be produced within a week of arriving.
Hotels: It is advisable to book hotels well in advance. A service charge of 10% and 5% government tax is usually added to the bill.
Hotels: Doha
Doha Sheraton, PO Box 6000 (tel: 833833; tx: 500 DOSHER; cable: DOHASHERATON).
Qatar International, PO Box 1188 (tel: 321761); tx: 4486, 4848 HABIB DH; cable: HABIBI).
Qatar Palace, PO Box 1101, Al-Asmakh Street (el: 321515; tx 4649 QPHOTL DH; cable: PALACE HOTEL).
Business advice and information
Ministry of Agriculture & Industry, PO Box 1966, Doha (tel: 412525; tx: 4096).
Ministry of Economy & Commerce, PO Box 1968, Doha (tel: 434888; tx: 4470, 4488).
Ministry of Finance & Petroleum, PO Box 83, Doha (tel: 413120; tx: 4233, 4315).
Qatar Chamber of Commerce, PO Box 402, Doha (tel: 423677, 431426; tx: 4078).

Saudi Arabia

Time: GMT+3 hrs; EDT+8 hrs
Area: 2.2m sq km (approx)
Population: 11.09m* (1985)
Capital: Riyadh
Official language: Arabic (English used in business)
Currency: Saudi Riyal (SR)=1000 halalas
Climate: Desert climate. Jeddah is warm and humid, with temperatures from 18-38°C and 90% humidity in summer. Riyadh's climate is more continental, hotter than Jeddah in summer (to 49°C) and colder in winter (can be near freezing).
Entry requirements
Passport: Required by all except certain seamen and pilgrims (with passes). The unexpired duration of passport must extend at least 6 months beyond the proposed stay.
Visa: Entry requirements are subject to periodic modification. Transit without visa may be allowed for bone fide passengers in transit through Jeddah airport. For entry, visas are required by all except nationals of GCC states and must be obtained in advance. Applications must be accompanied by a letter of invitation from a Saudi sponsor together with a visa number issued by the Ministry of Foreign Affairs. No certificate of religion required. Visitors with residence permits may also require an exit visa. Visitors should not surrender their passports to their Saudi sponsors without valid reasons.
Prohibited entry: Israeli nationals or holders of passports with Israeli visas are denied entry and transit. Travellers who arrive obviously inebriated are liable to arrest or deportation.
Currency: No currency restrictions.
Health precautions
Mandatory: Certificates of vaccination against yellow fever and cholera are required if travelling from infected areas.
Advisable: Vaccination for hepatitis, polio, typhoid and tetanus and anti-malaria precautions.
Working hours: Fri is usual weekly holiday, although some shops remain open. Private sector working hours may be shortened by 2 hrs/day in Ramadan.
Business: 0830-1200, 1630-1930 in Riyadh; 0900-1330, 1630-2000 in Jeddah; 0730-1200, 1430-1730 in Eastern Province (closed Thu afternoons and Fri).
Government: 0730-1430 (closed Thu, Fri).
Banking: 0830-1200, 1700-1900 Sat-Wed; 0830-1130 Thu.

UAE

Time: GMT + 4 hrs; EDT + 9 hrs.
Area: 90,559 sq km (including offshore islands)
Population: 1.62m (1985)
Capital: Abu Dhabi
Official language: Arabic (English often used in business)
Climate: Dry, sub-tropical weather with exceptionally hot summers and high humidity near the coast.
Entry requirements
Passport: Required by all except certain seamen.
Visa: Required by all except nationals of certain neighbouring states and UK passport holders. Visas are valid for all 7 emirates.
Prohibited entry: Nationals of Israel and South Africa, and holders of passports with evidence of travel to Israel.
Currency: There are no currency control regulations.
Customs: Personal effects are duty-free. Trade with Israel and South Africa prohibited, as are goods originating from either country.
Health precautions
Mandatory: Certificates of vaccination for cholera and yellow fever if travelling from infected areas.
Advisable: Cholera vaccination and anti-malaria precautions.
Car hire: Chauffeur-driven car hire is available. International licences are *not* acceptable, but temporary local licence can usually be arranged for holders of valid foreign licences by car hire companies. Driving is on the right-hand side of the road, with speed limits of 60 kph in towns and 80-100 kph elsewhere.
Public holidays
Fixed dates: 1 Jan, New Year; 6 Aug, Accession of the Ruler of Abu Dhabi; 2 Dec, National Day.
Variable dates: Eid al Fitr, Eid al Adha, Hijra New Year's Day, Prophet's Birthday.
Working hours: Working habits vary between the emirates, and change from summer to winter.
Business and government: 0700/0800-1300/1400, sometimes also 1600-1900/1930 (0700-1100/1200 Thu; closed Fri).
Banking: 0800-1200 (0800-1100 Thu in Abu Dhabi; 0800-1200 Thu in northern emirates; closed Fri).

Bahrain

Time : GMT + 3 hrs; EDT + 8 hrs.
Climate : Exceptionally hot and humid in summer and mild in winter. Best time to visit from Oct to Apr. Humidity high Jul to Sep, with temperatures to 44°C (average 35°C).
Area : 688 sq km (33 islands)
Population : 417,210 (1985)
Capital : Manama
Official language : Arabic (English often used in business).
Entry requirements
Passport : Required by all except certain seamen.
Visa : GCC and British nationals do not require entry visas. For all others, entry visas must be obtained in countries where a Bahraini consulate is available and extended locally. Travellers with onward-reservations may obtain a 72-hour (extendable) transit visa on entry.
Prohibited entry : Israeli nationals or anyone holding a passport with an Israeli visa.
Currency : Any currency may be freely imported and exported.
Customs : Personal effects duty-free. Non-Muslims are allowed a reasonable amount of alcohol. Pronographic and obscene literature and pictures, arms and ammunition, cultured or undrilled pearls are all prohibited.
Income tax : No income tax in Bahrain.
Health precautions
Mandatory : Certificate of vaccination against yellow fever and cholera, if travelling from infected areas.
Advisable : TAB vaccination.
Public holidays
Fixed dates : 1 Jan, 16 Dec (National Day).
Variable dates : Eid al Fitr, Eid al Acha Al Hijra, Ashura, Prophet's Birthday.
Working hours : Fri is weekly holiday, when government offices, business and most shops are closed. Many close early on Thu. Regular hours subject to change during month of Ramadan.
Government : 0700-1300 Sat to Thu.
Business : 0730-1200, 1430-1700 Sat to Thu.
Banking : 0730-1200 Sat to Wed; 0730-110 Thu.
Shops : 0800-1230, 1530-1830 Sat to Thu; some are open for a few hours on Fri in the Souk.

GCC secretary general Mr Abdullah Bishara

Galvanised

Continued from Page 1

for obvious geographical reasons.

There are also differences of emphasis in dealings with the West. Oman has traditionally been least worried about parading its close friendship with the US and Britain, and has an agreement with Washington under which US forces could have access to one of its airbases; Saudi Arabia, at the other end of the spectrum, is considered most unlikely to reach any similar contingency arrangements despite its close co-operation with the US on security matters.

The other GCC states are likewise inhibited from too close a public association with Washington because of America's identification with Israel and what is perceived as the sheer unpredictability of its Middle East policy (witness Irangate).

As for the Soviet Union, the Saudis, Qataris and Bahrainis have never had diplomatic relations with Moscow, and the UAE and Oman have only moved to open such ties in the last two years.

Kuwait, meanwhile, has long dealt with the Soviets and believes in balancing its ties with the two superpowers: hence its request to both Washington and Moscow for help in shipping its oil in the face of attacks on its ships by Iran. The US has agreed to place 11 Kuwaiti tankers under its flag, while Moscow has chartered three of its own tankers to Kuwait.

Nor has the existence of the GCC prevented disputes from occasionally flaring up between the member states—notably the conflict between Qatar and Bahrain last year over a tiny island between their coasts.

In another way, though, these differences highlight some of the GCC's strengths. The Bahrain-Qatar quarrel was smoothed over through Saudi mediation. And the GCC has been able to override foreign policy disagreements by showing flexibility; it is interesting to note that the organisation has been able to keep its lines of communication open to Iran despite all the support two of its members, Saudi Arabia and Kuwait, give to Iraq.

In the words of Mr Abdullah Bishara, the organisation's Kuwaiti secretary general, " we have survived against all the odds because of this flexibility and our innate pragmatism."

On the crucial and most topical question of policing the sealanes, the GCC has been able to make a fine but significant distinction: freedom of navigation in the Gulf and the region's neutrality are central tenets of its public policy. But at the same time, it has argued that the international community has a responsibility to ensure the safety of shipping in *international* waters.

Saudi Arabia, while not willing to get directly involved by providing, basing or equiping prepositioning rights, has shown itself ready to assist with that mission by agreeing to extend the patrols of its Awacs (Advanced Warning and Control Systems) aircraft to the southern portion of the Gulf.

Comments Mr John Christie, a British expert on the Gulf, in a recent book on the subject*: " The GCC's distinction is legally correct and politically justified and blends both international responsibility for peace and security in this vital region with the GCC's role as guarantor and motivator of regional stability in the Gulf."

So the political advantages afforded by the GCC go beyond the benefits of strength in numbers. Membership of the organisation has enabled the Gulf rulers to give each other psychological support. It has enabled them to claim—more credibly than they might otherwise have done—that they are able at least to deter would-be attackers.

Above all, it has provided an umbrella under which Saudi Arabia can feel comfortable in asserting a degree of regional leadership. The Kingdom is by far the GCC's most powerful member, but it has in the past seemed reluctant to play a political role commensurate with its size and wealth.

"The Gulf Co-operation Council: moderation and stability in an interdependent world. Edited by John Sandwick (Westview Press, Boulder, Colorado).